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# NATION'S BUSINESS



**FEBRUARY • 1935**

**Our Unplanned Housing Plans**

**Let's Have a Sane Sales Tax**

**Commodity Trading Grows**

**Washington Forecast • Business Map**

**PUBLISHED BY THE CHAMBER OF COMMERCE  
OF THE UNITED STATES • WASHINGTON**

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**THIS** unretouched photograph shows at the bottom of the trench an 8-inch cast iron water main installed in San Francisco in 1859 and still in service. When this old pipe was uncovered in January 1932 for the inspection of Mayor Rossi and other city officials, it had been in continuous service for 73 years and was in excellent condition. It is a section of the *first* cast iron water main laid in San Francisco.

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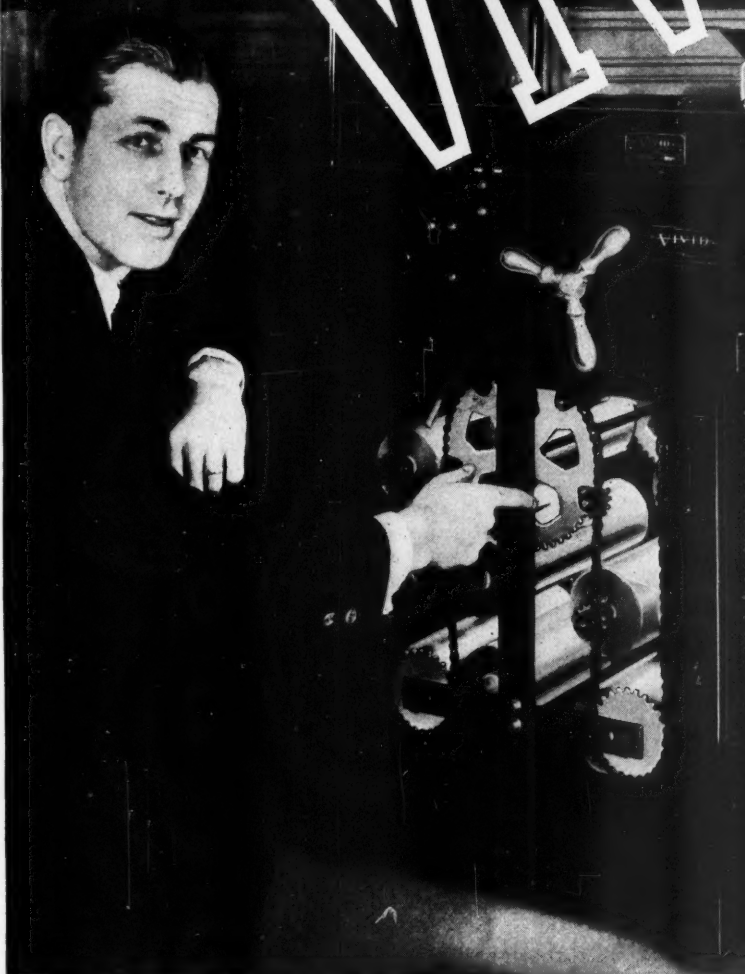


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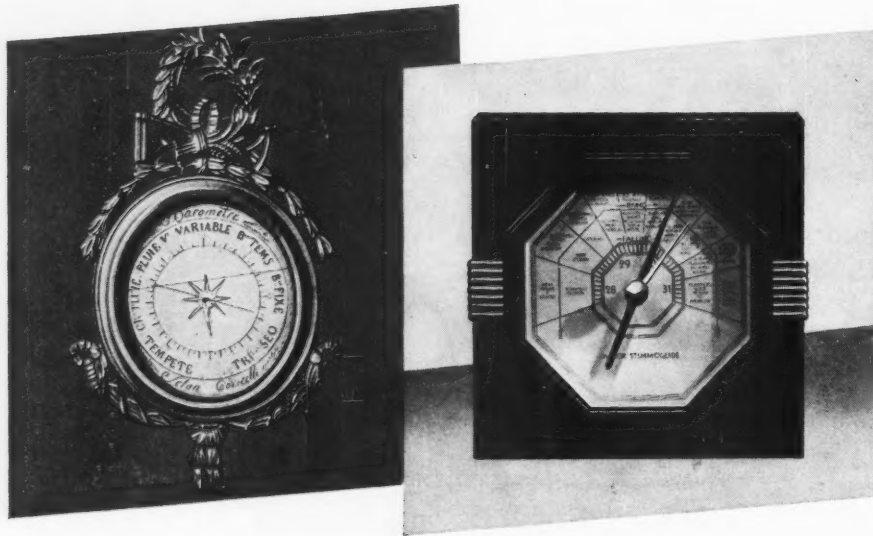
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**I**N THE DAYS of Louis XVI a barometer was a rare and costly instrument worthy of a case hand wrought by the most skilled of artisans. Today, barometers of far greater accuracy also have cases by talented artist designers, but they are produced of Bakelite Molded by the thousands and sold for a few dollars.

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that pleasing design is an important and measurable aid to greater sales. These same designers also have found that the use of Bakelite Materials makes practical the economical reproduction of their designs.

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*Illustration shows Louis XVI barometer of carved, gilded wood; and Taylor Stormguide with Bakelite Molded case, designed by Walter Dorwin Teague.*

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## THE MATERIAL OF A THOUSAND USES

# Contents for February . . .

**The Intelligent Business Man** should keep in mind that the great stable commonplaces of American life do not rate as news. *Merle Thorpe*.....p. 13

**Commodity Trading** has climbed despite depression. What makes men buy and sell hides, wheat and cocoa—fear of our money or the determination to raise farm prices? *Richard J. Mayer*.....p. 15

**The Washington Program**—budget, taxes, inflation, NRA, banking, Constitution—the more you understand it, the more clearly you can determine when to kick and when to go along. *W. M. Kiplinger*.....p. 19

**The Government Housing Program** has produced conflicts in theory that were brought to a sharp focus by the recent Ickes-Moffett flare-up. *Paul H. Hayward*.....p. 22

**A Condemned Man** who is ill is revived before he is asked to march to the scaffold. I think the same consideration should be extended to industry. *Forney Johnston*.....p. 25

**Eight Salesmen**, at a recent convention, reported that they had made from \$6,000 to \$7,000 in 1933 by "wearing red neckties." *W. W. Snyppe*.....p. 27

**Whether Minimum Price Control** can be successfully administered in an industry having thousands of units probably will never be conclusively settled. *Wilson Compton*.....p. 29

**The Sales Tax** can be one of the simplest, fairest and easiest methods of raising adequate revenue ever devised but no state has yet enacted an efficient law. *C. O. Sherrill*.....p. 37

**Crankcase Oil** is tested before the motorist's eyes by a new piece of filling station equipment. ....p. 40

**The So-Called Planned Economy** no longer casts the spell of yesterday. That is the most important thing that has happened. *Alfred P. Sloan*.....p. 42

**The Neighborhood Service Plan** of automobile retailing is threatening the old-time "automobile row." .....p. 52

**Active Business**, in December, stepped out with confidence unequalled since late spring. *Frank Greene*.....p. 54

**The "Washington Plan"** presents a workable formula under which consumers and investors both share the benefits of a utility company's economies. *David J. Guy*.....p. 56

**A Tremendous Boom** followed by the gravest collapse in our history is predicted by an able banker who believes business will be "worse before it gets better." .....p. 71

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Associate Editor, RAYMOND C. WILLOUGHBY



Business Manager, J. B. WYCKOFF  
Director of Advertising, E. V. THOMPSON  
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## Where do we go from here?

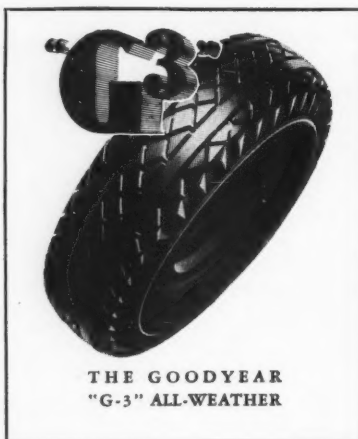
IT is up to every forward-looking American business to find its own answer to this question.

Whether that answer is tinged with pessimism or optimism must depend almost entirely upon the resourcefulness, the faith and invincible determination of those men to whom American industry looks for its leadership today.

There is both need and opportunity for statesmanship in big business as well as government—a vision broad enough to consult the public interest first, and self-interest as it finds its reward in popular approval.

This is sound doctrine, tested by the practical yardsticks of sales and earnings.

We have undertaken to apply this doctrine in the operation of our own business. Despite leaner times and uncertainty Goodyear has carried on a program of product development and betterment greater than this company had ever undertaken before.



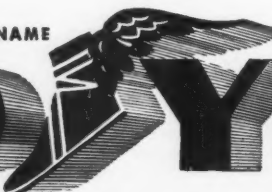
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## The Busy Man Looks at Steel

### Bright Hospitality

HOTELMEN AND RESTAURATEURS are remarkably progressive fellows. In no other breasts does the urge to renovate and modernize surge more strongly. *Mine Host* knows that popular favor is a fickle jade who requires constant wooing. Small wonder, then, that he was among the first to appreciate the qualities of Allegheny Metal: sanitation, ease of cleaning, low depreciation cost, and the high goodwill value of its appearance. Starting with the kitchen, he has spread his use of this time-tested stainless steel to pantry, dining-room, laundry, engine room, barber-shop, lobby, office,—and more recently,—to the bar and cocktail room.

Repeal enabled the hospitality industry to stage a comeback,—opened new places, caused the renovation of old ones,—in general, created a large demand for hotel and restaurant equipment. Simultaneously, code operation made payrolls and other costs matters of utmost importance to *Mine Host*... made it even more desirable that his new equipment be fabricated of Allegheny Metal,—an assurance of long life, low wage cost for cleaning, low depreciation cost and smart appearance under all circumstances.

### 19,486,052 With Onions

THE FAMOUS White Castle chain of sandwich shops had its beginning in a meager kitchen opened in Wichita, Kansas, on October 10, 1916. The founders were men of vision and energy. Their business policies were simple: satisfied employees in bright, sanitary kitchens,—giving the public much for little. The White Castle System today numbers 125 modern shops, located in 16 cities and 11 states, serving more than 50,000 people daily. Considering just one item, in 1933 the company sold 19,486,052 hamburger sandwiches.

To achieve the utmost in sanitation and eye-appeal; to insure the lowest possible operating costs, the company relies heavily on Allegheny Metal in structural and equipment details. Table tops, counter trim, cooking utensils, food containers, cream pitchers,—all are made of this time-tested stainless steel.

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# Through the Editor's Specs

### Dr. Townsend prescribes

IN all the brood of strange ideas deposited on the Administration's doorstep in the name of security and of recovery, the plan fathered by Dr. Townsend of Long Branch has this distinction; it at least provides the detailed "how."

In brief, the plan proposes:

That every man and woman more than 60 years old shall stop working for gain.

That the Federal Government shall pay each man and each woman more than 60 a monthly pension of \$200, provided, first, the pensioner is not a habitual criminal, and provided, second, that he or she will take an oath to spend the whole \$200 within 30 days.

That the cost of the pensions be raised by a general sales tax.

About 10,000,000 persons would be immediately eligible. To other millions, 60 is just ahead. Of the eligibles, Dr. Townsend guesses that 8,000,000 would apply for benefits. On that figure, the total cost at \$2,400 per person per year, would be \$19,200,000,000, exclusive, of course, of the cost of administration, the unknown "X" of the equation.

Dr. Townsend argues that if 8,000,000 persons more than sixty years old now working for income would stop working, there would be that many more jobs for younger persons. The requirement that the individual income of \$2,400 a year be spent, he believes, would assure a dependable large-scale demand for goods and labor. One advocate says of the plan, "It is only 30 per cent a humanitarian measure, it is 70 per cent a business recovery measure."

ANALYSTS who question the feasibility of the plan focus attention on the issue of cost. One estimates the national income for 1934 at 48 billions. To take approximately half that amount to pay the stipulated benefits would mean that "half the average income of every person in the country would go in taxes to the upkeep of the Townsend Plan. On the average the rest of us would be compelled to live on half our incomes...

there would be violent inflation—a marking up of prices of everything to a figure at which the business turnover could stand a tax of 24 billion dollars a year. At that point the folk more than 60 might be getting their \$200 a month—but they would find that they could not buy the automobiles they now think they could; a hair cut would cost, say, \$2; a meal of bread and milk would cost \$5."

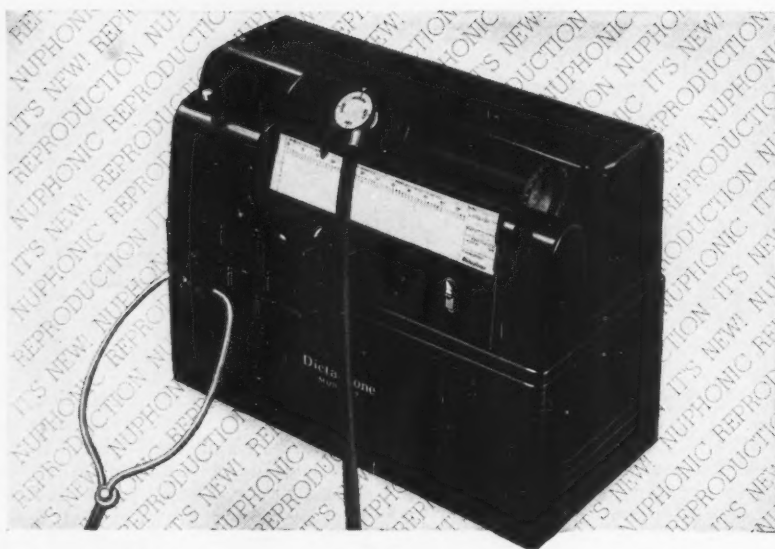
The case of the opposition is stated further by another commentator:

... the error lies in forgetting the simple truth that some one must produce the wealth which is consumed by the non-producers, be they infants, old people, sick people, the unemployed, the idle rich, or the criminal classes. If Dr. Townsend's medicine were a good remedy, the more people the country could find to support in idleness the better off it would be. ... If there were any truth whatever in the theory that a nation can become prosperous by not producing, then the depression should have made us roaring rich. Dr. Townsend wishes to remove from productive labor a paltry 8,000,000 persons. When the depression was going strong, 16,000,000 persons had been removed from productive labor. It did not make us prosperous. And for a very simple reason. Those who still had jobs had to support those who did not have them. Less wealth was produced and so the standard of living had to fall.

TO CRITICAL FORECASTS of an intolerable burden, Dr. Townsend retorts that his plan "is based upon a universal transaction sales tax and not upon a retail sales tax." For resources he looks to the aggregate volume of business in the United States—by his astronomical figures, \$1,208,000,000,000 in 1929, and \$1,108,000,000,000 in 1928. In either case, he argues, a two per cent tax on all business transactions would finance this plan. "Even for the rock bottom year of 1932 a tax of five per cent would finance the plan."

Addressing 50 members of the House of Representatives at a meeting in January, Dr. Townsend asserted that

"During the past six months the United States has spent \$20,000,000,000 (*sic*) on charity, crime and government alphabetical soup relief. For



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that same period the Townsend proposal would have cost the Government only \$9,600,000,000 and would have provided real relief and effected real recovery."

On the question of producing the wealth to be consumed by non-producers, he contended that underconsumption is the chief national problem, and "we will remain in the depression indefinitely until we find some way of balancing consumption and production."

Petitions favoring the plan were said to have 25,000,000 signatures. "Political death" has been predicted for opponents. A member of the California delegation in the House declared he would introduce a bill expressing Dr. Townsend's ideas and shouted to his colleagues:

We have fired a shot that will be heard around the world. If you don't want this bill you may as well pack up your trunk and forget you ever were a member of the Congress. Why, in one little town of 30,000 population out in California we got 18,000 signatures on the petition.

The temper of the meeting is suggested in the introduction of the doctor as an "instrument of God." Whether or not the plan is "too simple to be comprehended by great minds," as Dr. Townsend charges, Mark Sullivan, astute political observer, reports:

All over the country, in villages, towns and cities, the plan is infecting people like some curious yeast of perfect hope. Tonight it is safe to say, and every night, hundreds of Townsend plan meetings will be held all over the country. From the crowds that come to the meetings, fully 99 out of a hundred go out exalted with zeal; hardly one in a hundred is a skeptic.

The evangelists of the plan have a loose organization, heading up to an office in Los Angeles. There are pamphlets, lapel buttons, petitions to be signed, and other paraphernalia of organized propaganda, but the cost of each is slight. It is not in any manner a money-making scheme. The early Christians were hardly more sincere.

### Farming by test tube

CHEMISTRY has its own idea and a new name for making over agriculture. "The Farm Chemurgic" is seen by Dr. William J. Hale, a scientist of the Dow Chemical Company. "In the light of chemi-biological study," he says, "we may confidently look forward five or six years when the total requirements of our citizens for foods and raiment will readily be supplied through the intensive cultivation of a mere 50,000,000 acres of properly fertilized land."

What would be done with the excess land and the excess farmers is answered through the device of "agri-centers"—chemical plants where crops may be taken for "degradation"

into valuable chemicals. Unlike perishable foods, these products could be stored indefinitely by the farmer.

As one already practicable example of the chemical revolution Dr. Hale cites the starch in corn which runs about 30 pounds to the bushel. With the starch extracted, the farmer, he says, can use the corn in the form of gluten and oil-press cake for feeding live stock. At recent prices the farmer would get about 30 cents a bushel for corn and still have the bulk of it for feed.

Looking through the glasses of the chemists it is possible to picture an economical conversion of surplus food crops into automobile parts and bodies. To see the day when the dirt farmer will be regarded as a laboratory worker requires as much of science as of vision.

### Millionaires in name only

THE way of a millionaire with his money can still make what editors call "good copy." The way of the Government with million dollar incomes is not usually so well publicized. Forty-six individuals, the tax returns for 1933 show, had net incomes of \$1,000,000 or more. Rating these incomes by tax levies bestows a distinction of another sort.

If the recipient lived in the state of New York, and he came by half his million in earned income and half from investments, accountants have figured that he would pay the Federal Government about \$571,000, and the state about \$69,000, leaving him to the enjoyment, if any, of \$360,000. It can be argued, of course, that a third of a million is a tidy sum by any monetary standard. The point the accountants make seems to be that a million dollar income does not necessarily signify a millionaire.

Stripped of two-thirds of his substance, the denuded taxpayer might be logically hospitable to adhesiveness rather than elasticity of the currency. Should the divesting continue, the so-called "vested" interests may stand much in need of a barrel—if, indeed, it could escape levy as a receivable.

### Inventors go to school

NO fiction of American life is more tenaciously held, if repetition be the measure, than the fabulous notion that invention is nurtured by shabby genius burning its candle in the forbidding gloom of barren garrets. Even if the idea were not evicted by the broad establishment of great research laboratories, the creation of an inventors' foundation by Henry Gaisman of New York would suggest that ingenuity in its own right is

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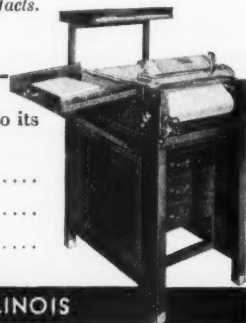
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quite capable of assuring a trained delivery for pregnant minds.

American inventors, Mr. Gaisman believes, have lacked proper technical training to make the most of their ideas. To that purpose he has made courses available at New York University and Stevens Institute of Technology, and through the International Correspondence Schools and Blackstone Institute.

Prepared primarily for inventors, the courses are also intended to serve executives and lawyers interested in the promotion of new products. The courses inform inventors how to study the market to discover just what ideas are in demand, how inventive ideas may be profitably developed, how to select a patent attorney, the nature of infringements, and other related topics—in short, what will prove profitable to invent, and what to do with it after inventing it.

### A petition ex cathedra

RELIGION has come forward to ask its share of help from the New Deal. The Reconstruction Finance Corporation, it turns out, has come into possession of millions in church mortgages, and churches of all denominations are appealing for special consideration. Churches in the Detroit area are particularly hard pressed by reason of the closing of local banks. With the RFC holding their collateral to a face value of \$17,000,000, the churches have joined in a plea for a "sympathetic reconsideration."

"We feel that it is unnecessary to urge upon you," said their petition, "that in these unsettled times, the institutions devoted to religious worship and teaching are among the strongest bulwarks of American institutions and the most efficient agencies for the social rehabilitation of our country."

Although the problem is unique to the RFC, Jesse H. Jones, chairman of the board, said a solution would be worked out by his office, the comptroller of the currency, and depositors in the closed banks—a community of interests by any definition.

No one is likely to quarrel with the churches' declaration of usefulness. Possibly the logic of events may put business to wondering whether trade and industry are included in their defense of "American institutions." Remembering the ecclesiastical readiness to blame business both for bad leadership and lack of leadership, the workaday economist might reasonably conclude that he operates outside the definition if not outside the pale.

Whatever his state of grace, it

is demonstrably true that the cause of recovery touches all men, all orders. *Accensa domo proximi, tua quoque periclitatur.* When the house of your neighbor is in flames, your own is in danger.

### Gum chewers serve science

WITH archeology as its text, science in the form of the Carnegie Institution of Washington has provided a fresh example of the sensitive interdependence of business. Through its research division the Institution is making a determined effort to locate all the old city sites of the Mayan civilization in Yucatan and Guatemala. This special drive, it is explained, is made advisable by reason of the shrinkage of the chicle industry.

The area under exploration is the headquarters for chicle used in chewing gum. For many years it has been penetrated by chicle hunters. Parties are fewer now. American girls have taken to smoking. That habit touches the demand for chicle. With a lapse of commercial expeditions, scientists would find it harder, they say, to make their way to the areas selected for research.

Whether or not science goes forward on the coat tails of commerce, the economic significance of changes in popular taste is literally demonstrated by the competitive positions of chicle and cigarettes.

It takes no explorer to discover the fate of these industries on everybody's tongue.

### When a goblin needs a friend

OUT of the fertility of its fears this country has been plagued with a bumper crop of lively phantoms. The plain and fancy bogeys abroad in the land are adequate to suggest that America is a haunted house. If the nation does become the sport of specters it will not be because the American Cemetery Owners Association has let it down. Its members have declared that headstones, statuary and the like in graveyards are on the way out—*passé* in the march of progress. Future cemeteries will be like parks, they said, landscaped and with only small bronze plaques marking graves.

It seems premature to contend that the end of monuments will mark the end of the ghost business. The idea of a shadow needing substance for concealment might readily argue its own absurdity.

The trouble with that thought, of course, is the fact that no one is receptive to reason when experiencing an attack of apparitions.



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## CONDENSED STATEMENT OF CONDITION

At the close of business, December 31, 1934

RESOURCES	LIABILITIES
Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers \$110,574,629.07	Capital . \$12,500,000.00
United States Government Securities . . . . . 111,030,721.71	Surplus . 20,000,000.00
Reconstruction Finance Corporation Notes . . . 2,500,000.00	Undivided Profits . . 1,361,490.44 \$33,861,490.44
Other Bonds and Securities 39,047,566.39	Reserves:
Loans and Bills Purchased 110,236,734.56	For Contingencies . . . 10,337,552.62
Accrued Interest and Other Resources . . . . . 3,396,547.57	For Taxes, Interest, etc.. 2,168,804.15
Mortgages Owned . . . 2,079,557.92	Deposits . 298,318,067.13
Equities in Real Estate . . 539,675.54	Outstanding Checks . 35,839,690.38 334,157,757.51
Banking Houses—Equity and Leasehold . . . . 2,250,359.98	Dividend Payable January 2, 1935 . . . . . 625,000.00
Customers' Liability for Acceptances and Letters of Credit . . . . . 8,244,434.23	Acceptances and Letters of Credit . . . . . 8,749,622.25
Liability of Others on Acceptances, etc., Sold with Our Endorsement . . . 15,488.19	Acceptances, etc., Sold with Our Endorsement . . 15,488.19
<u>\$389,915,715.16</u>	<u>\$389,915,715.16</u>

United States Government obligations and other securities carried at \$25,256,027.14 in the above statement are deposited to secure public and trust deposits and for other purposes required by law.

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## NATION'S BUSINESS

★  
A MAGAZINE  
FOR  
BUSINESS MEN  
★

### Portrait of a Nation

**H**ISTORY, a student once said, deals largely in omissions. Certainly it takes no critical mind to discover that it is not always written as the people made it. Contemplation of some of the year-end reviews invites accord with Voltaire's judgment that history is little else than a picture of human crimes and misfortunes.

A nationally exhibited news reel summary of 1934 provides a case in point. It showed calamity piled upon calamity, horror upon horror—the drought in the West, the burning of the *Morro Castle*, King Alexander slain in his carriage, the smiling Dollfuss marked for assassins' bullets, a world accursed with the destructive fury of nature and the murderous rages of men. And as if this gruesome selectivity were not enough to crush the spirit, the narrator's voice intoned an accompanying dirge of disaster.

How Babe Ruth's burly adequacy got into that funereal record is a mystery as riddlesome as it was refreshing. The homely sense of fellowship with the living touched the audience with a saving grace. More eloquent than any words the hearty "thwack" of the mighty bat! It was something solid in a world of dizzy change. And dependable. Something real. Balance. Proportion. Clear-headedness. Man's triumph over leering chance. His appearance on the screen broke the brooding spell of futility and frustration. Life was on the track again, and eminently worth while.

Possibly a redefinition of "news" is in order. Nothing could be more misleading than the determined cultivation of sensationalism unrelieved by the commonplaces which constitute the pattern of most lives, the happy negatives which provide the stable background for the very stuff of which headlines are made.

True enough, the things that do not happen do not rate the label of "events." It would be difficult to dramatize the leaders who are not murdered, the cabinets that do not fall, the wars that are not waged, the ships and trains

and planes that are not wrecked, the lands that are not blighted, the fortunes that are not lost, the citizens who do not break the law, the trusts that are not betrayed, the strikes that are not declared, the children who are not kidnapped, the factories and stores that are not closed, the homes that are not broken up, the millions of workaday folk who do not whine when the going tries the body and searches the spirit.

Colorless these things may seem against the strong stimuli of the unusual. That they properly belong in any "picture" of the nation can be readily maintained, fashionable as it now is to charge that the world is more deficient in character than it ought to be. Obviously, men and nations are still far from the great ideals which it has been given them to see, but no further than in the lamented "good old days."

Faith and courage and sacrifice are, as ever, the foundations of our progress as a people. They are at once the support of the national edifice and the guaranty of our civilization. They are to be seen in business suits, the overalls of workers, the smocks of technicians, the aprons of artisans and tradesmen. They are the familiar expressions of an invincible idealism.

Today, when old loyalties are hard beset with the upheavals of a tormented world, it is well to remember that "after all the commonplaces are the great poetic truths." The people need their confidence and faith restored. It will help if we realize that the day's news is the exceptional. If it were not so, it would not be news. It is foolish to expect the enduring foundations—commonplaces as they are—to receive emphasis in every picture and page. That would labor a point as fundamental as the bedrock itself of our institutions. For, steadfastness in America is no longer "news." That is something to remember during these months of convalescence.

*Merce Thompson*





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# M I M E O G R A P H





# We Become Commodity-Conscious

By RICHARD J. MAYER

Commodity Editor, the "Wall Street Journal"

TRADING in commodities has grown during the depression both in volume of buying and selling and in the number of things in which futures may be bought and sold. Like all other things which raise their heads above level, it is likely to become an object of attack for congressional discussion and investigation.

The recent so-called "squeeze" in sugar has started the Department of Agriculture on the war path and talk is heard of legislation to regulate commodity exchanges.

Here a commodity expert tells the story of these exchanges and the part they are playing in our business life

**A**MERICA has become commodity-conscious. During several months of 1934, dollar volume of grain trading on Chicago's Board of Trade topped the New York Stock Exchange security figures. Dealings have also been lively in the other exchanges which offer trading facilities in some 20-odd staples. Most of these markets are comparatively new and it is perhaps significant that several important additions to their ranks are expected within a short time.

To what factor may the commodity exchanges attribute their activity in a period generally characterized by a business lassitude? Most seasoned commentators would probably be inclined to credit Washington with the commodity assist. Whether the Administration's policy of monetary devaluation or its emphasis upon agricultural recovery to the parity price goal, or a combination of both,

did the trick is a matter of opinion. Whatever the reason, probably more persons are utilizing the commodity markets today than at any time in their generally brief history.

Call the roll of the commodity

markets. Chicago's Board of Trade is the granddaddy of the lot, being established in its present futures set-up in 1861. The New York Cotton Exchange opened nine years later. In 1882, the coffee market on what is now the New York Coffee & Sugar Exchange started trading. Cottonseed oil futures made their speculative debut on the New York Produce Exchange in 1904. Ten years later, sugar was mated with the coffee market in a single exchange.

Most of the commodity exchanges, however, have still to reach their 'teens. Rubber bowed in during 1926, as did cocoa. Silk made its initial New York futures appearance in 1928. The hide market was established in 1929. Silver, which has since passed over the international border to Montreal, began trading here in 1930, together with copper and tin. Lead and zinc made their first futures appearances in what is now the metal ring of the Commodity Exchange this past year. The tobacco exchange, also formed in 1934, has been dissolved. The California Commodity Exchange began silk trading as the year ended. Plans already known for this year include a potato futures market on the New York Produce Exchange and oil and gas futures trading on the Commodity Exchange.

Just what is the function, in general terms, of these markets?

Who utilizes these functions and for what reasons?

Chief Justice Holmes in his decision sustaining grain exchange contentions and justifying the ex-



The hide exchange provided recent opportunity for profitable dealing in futures



EWING GALLOWAY

The art of hedging is not confined to the grain business. It is common also in the butter and egg exchange

istence of such a market declared:

"People will endeavor to forecast the future and make agreements according to their prophecy. Speculation of this kind by competent men is the self-adjustment of society to the probable. Its value is well known as a means of avoiding catastrophes, equalizing prices and providing for periods of want."

The writer holds no brief for the commodity exchanges. Nor is this article intended to be a justification of their existence. However, under our present economic set-up, these exchanges do constitute a vital marketing cog. For this reason it is important that the layman have a clearer idea of how they work.

The typical commodity exchange is manned by an experienced personnel. Most of the exchanges have a statistical department that receives trade information from all parts of the world. A superintendent or secretary generally keeps close watch over the clearing house transactions in which the actual staple is sometimes tendered on contract months by means of notices of delivery. Each commission house is also required to inform the clearing house of its open commitments for clients.

Some exchanges, such as the Board of Trade, make these figures public daily. Most of them, however, do not publish these figures. The Exchange is usually headed by a president with thorough and active trade connections. Pages, ring clerks, quotation checkers—and in some of the markets the quotation machinery is considered among the quickest and most

effective method of recording prices that modern mechanism has devised—all work to make up the modern market.

Trading in futures is the rational development of marketing to its highest pitch. It effectively correlates world supply and demand. Price fluctuations are minimized; the impact of forecast supply and demand is more easily discounted.

Speculation is essential to any liquid futures market. Organized speculation is power, liable to abuse, but, as Chief Justice Marshall once said, "All power is liable to abuse."

#### Affected by world news

CASUAL observers of the commodity markets would be surprised at the various factors which influence commodity price movement. Germany's embargo on gold exports last spring, for example, was reflected in a sharp break in the New York cocoa market. Germany was, and still is, the second largest consumer of cocoa in the world and the price break was caused by fear that the embargo would reduce cocoa consumption.

Reports of excessive rains in the African Gold Coast last fall had a bullish effect on that same market. It was feared that the rainfall might not only injure the quality of the cocoa raised there—and the Gold Coast is the largest producer of cocoa in the world—but would also hinder the movement of the crop to market.

Generally speaking, three classes of people use the commodity markets. First, there are the people who

handle the actual staple itself in the course of its march to the consumer. Operations of this type are termed hedges, or insurance against destruction or possible loss in value. Just how much of the total commodity futures trading these hedges constitute cannot be measured as they vary during the crop year and depend largely upon the actual movement of raw staples from primary points. However, the proportion is unofficially estimated at 25 per cent.

The second group of persons using the commodity exchanges might be termed capital investors. They are generally people seeking investments at better interest returns than can be had either in the call market or in the banks. As a rule, these interests own, or have connections that own, warehouses. Very likely they also have connections among cash people in most of the staple industries. Just as you will find these persons pricing undervalued bonds that yield a handsome return but that are still sound, you can be assured of their presence when profitable commodity switches or spreads are to be made.

An example of such a situation, which appears more frequently than one might think, occurred in the hide market early in December. Prices for June hide futures contracts, under the influence of some sustained Wall Street buying, rose faster than the actual spot price. Thus, for a short time it was possible to purchase actual hides from the packers for cash, sell June hide futures short almost simultaneously, carry the cash article through until June when it will be delivered on contract to meet the short commitment with the assurance that, even figuring in storage and delivery charges, the profit on each contract would be 30 to 40 points. Each point profit in hides—the contract unit being 40,000 pounds of wet salted hides—represents \$4. Inasmuch as the investment is not affected by the course of either futures or cash prices after the transaction is consummated, the return, which sometimes represents as much as 15 per cent of the capital invested, is considerable. In some commodity quarters, this type of trading is estimated to comprise about ten per cent of the total business volume.

That brings us to the third classification of persons active in the commodity markets—the speculators. This class does by percentage volume the largest part of commodity trading. Although mere mention of the speculator in many quarters will set hairs bristling, under the present system of marketing, speculation makes the futures market and a broad and liquid futures market permits satis-

factory hedging of crops even when their movement is heaviest.

Speculators are of two sorts. The first of these is the pit trader. Here is a man of undoubted financial position, who holds a membership in one or more commodity exchanges. He is thoroughly familiar with basic conditions in the particular staple line in which he is interested. In the course of the day he may be influenced by certain technical factors that he fancies he sees in the market, or perhaps by some news that is flashed on the ticker screen to him. He may thus take a long or short position in the futures market.

Possibly he may execute his trade himself. More likely, if he is a large operator and wishes to conceal his hand, he may give the order to a broker for one of the many large commission houses that are on the exchange floor for that purpose. Perhaps that commitment may be terminated, at his judgment, before that same trading session is over. On the other hand, it may be carried over

and suitably margined for a future time. Commodity exchange margins generally run around ten per cent of the total value of the futures contract traded in—considerably less than is required in securities transactions. This fact may account in part for the recent increase in commodity trading.

### The public can speculate

THE second class of speculator is the person whom some commentators will call "John Q. Public." He is, perhaps, a man with a business of his own. He obviously has surplus funds for investment. He is possibly accustomed to dropping into his local brokerage office at noon to scan quotations. At other times a representative of the brokerage firm with which he has an account keeps him in touch with the market. Obviously, he is not as well posted marketwise as the trained pit trader. Nevertheless, through floor wires from his commission house, he is perhaps today bet-

ter posted on commodity statistics and conditions than at any time in the past.

Speculation will always be present in the raising and marketing of farm products. It cannot be avoided. Futures trading tends to stabilize prices and reduces the spread between the grower and consumer. If the futures market should be discontinued, the only possible substitute would be the Government purchase and distribution of the entire crop moving off the farm. That would probably mean the fixing of an arbitrary price. The Farm Board experiment would seem to be warning enough. As the late President Coolidge expressed it:

When the consumer buys a product it goes out of the market and disappears. When private or public agents buy to fix an arbitrary price, the product is still in the market; every consumer knows it and waits for the resale. The price can be held only as a local or temporary expedient which usually makes matters worse. Not even the United States Treasury is powerful enough to put an arbitrary price on the great world staples with any permanent success.

Just how small a share the exchange middleman takes as his pay for regulating the distribution of the crop from farm to consumer is shown in the following figures, which trace wheat from Kansas farms to Liverpool buyers. The value is reduced to a basis of 100 per cent:

The farmer received	75 per cent
Country elevator got	2.5
Transportation costs	17.6
Elevating	1.9
Interest and insurance	0.8
Dealer middleman	2.2

Because of our present small crops



WIDE WORLD

Although grain trading on the Chicago Board of Trade surpassed security dealings recently all such dealing does not take place in Chicago. This photo shows activity on the St. Louis exchange

The wheat pit is a vital marketing cog whose services are used by the country elevator, the terminal elevator and the mill



BROWN BROS.



and monetary policies, domestic wheat prices have been consistently higher than world prices since the Farm Board debacle. As a result, this country is no longer an exporter of wheat. Tracing the wheat from the farm to the domestic consumer, however, it becomes clearer just how interrelated the crop movement is with the futures market.

The wheat harvest normally gets under way in the Southwest in July and works northward through August. It would be a fair guess that probably more than 75 per cent of the farmer's wheat moves off the farm in the course of the year. An even surer forecast would be that more than half the crop movement occurs during the first two months after harvest time. The wheat moves to country elevators, whose operators receive radio or market quotations throughout the day. They pay the market price for it after deducting freight charges to Chicago, or possibly the nearest terminal market. Their investment in the grain must be protected, not only against possible loss by fire, explosion or theft, but against possible changes in the value of the grain from day to day.

The country elevator operator cannot, of course, dispose of the wheat immediately after he buys it from the farmer. Therefore, he wires his broker in Chicago, Kansas City or Minneapolis to sell short for his account a futures contract equivalent to the amount of actual grain he has just purchased. Thus, should the price of wheat fall before he can dispose of the actual grain, he makes up—with the small exception of the cost of the hedge—in profit on the futures sale what he loses on the cash article. Should wheat advance in price, he would make up on the sale of his actual grain the loss incurred in the futures transaction.

### Speculator absorbs loss

WHEN the terminal buys the cash grain from the country elevator, the same procedure may be repeated, until the buyer has been able to dispose of the grain. The mill will do the same trick until it in turn has been able to sell the flour. It is when these hedging sales are going on—and estimates are that at least 90 per cent of all the staples having exchange facilities are hedged by buyers—that the speculator is an invaluable aid. He absorbs a large part of these futures offerings, with the expectation of a profitable transaction in the future.

The art of hedging is not practiced solely in the grain business. In the rubber markets, you will find tire manufacturers active. Chocolate pro-

ducers are among the most active parties in the cocoa market. The Borden's Company not only is interested in the butter and egg markets, but advertises its services and trade information to brokerage houses and potential customers not holding memberships in those markets.

Nearly all of the present commodity markets involve trading in raw staples. That does not mean that manufactured products may not eventually be traded in. There has been a movement for some time to start trading in shoes. At present about 80 per cent of the leather consumption is in the boot and shoe manufacturing industry, although some 25 other trades also use leather. The greatest difficulty confronting a possible exchange market of this type is the problem of uniform grading to meet contract requirements.

Naturally, the utopia of every commodity trader is to execute a "corner" in some staple. Joseph, of biblical lore, is credited with the first successful "corner." Since then prospective imitators have been many. However, the successful "corners" can be counted on the fingers of one hand. The last major corner was consummated in the summer of 1931 by Thomas M. Howell, a versatile Chicago grain operator who also holds the prevailing record for the largest fish ever hauled in from any waters. The commodity cornered was corn; the delivery manipulated the July position.

The corn crop, harvested in November, 1930, was the smallest since 1901. Early in the spring of 1931, Howell started accumulating May corn, later switching into July. Gradually his interest accumulated until he had nearly 10,000,000 bushels of corn futures. A stubborn short interest maintained that the large premium of July over the deferred futures was unwarranted as a large new crop loomed next November. They also felt that contract demands in July would be met in proper fashion, despite the fact that the country was reluctant to ship out any more of the remaining sparse supplies at the tail end of the small crop year.

Chicago's deliverable contract stocks of corn were only 2,439,000 bushels at the beginning of July against an open interest in futures in that particular month eight times this amount. Shorts were unable to scare up all the necessary actual grain to meet their obligations. The price rocketed as they were forced to cover their shorts in the futures markets. At the same time, the astute Mr. Howell had been selling September futures contracts short. Thus, after the July shorts had been run to cover, he was able to store what

corn had been delivered to him in warehouses until September, when he delivered the cash grain against his futures obligations in that month. He thus effectively had hedged his position against later loss and amassed profits on the transaction estimated in the neighborhood of \$1,000,000.

Of more recent interest was a somewhat similar situation in December sugar futures on the New York Coffee & Sugar Exchange. Although there is no real shortage of sugar in the world, a distinctly tight position developed as an outgrowth of Cuba's price pegging operations in its major staple.

### Quotas made sugar short

SINCE 1931 when the sugar surplus problem reached its worst point, a world quota system has been enforced. The amount of sugar that each exporting country may clear has been allocated prior to the crop year. The United States also had an import plan under which certain definite amounts were set as quotas which our domestic beet sugar interests would send us. The portion of sugar coming from our duty-free island possessions—Puerto Rico, Hawaii and the Philippines—was also fixed as was the amount of sugar that might come in from Cuba. This Cuban sugar is subject to a .90-cent per pound import duty.

The duty-free producers invariably ship out their crops as fast as they come to ports. That meant that most of their quotas were shipped in the first half or three-quarters of the 1934 calendar year. Cuba, which held out for better prices, was not an eager early season seller. Late last summer, seeing an opportunity to get better prices for their crop, as duty-free supplies were dwindling fast and no more could be brought into the United States until January 1, 1935, Cuba decreed that none of its own sugar could be sold in the United States before January 1 at less than 2.185 cents a pound.

However, refiners in this country purchased no more Cuban sugars than they absolutely needed. They saw that, by drawing on their reserves, they could scrape through until the end of the year when the duty-free islands could again supply them.

Cuba, finally realizing that, under the price-pegging policy, it would not only fail to sell all its 1934 quota, but might also lose out on a good part of the 1935 quota, made several "bargain offers." Still the refiners preferred to fall back on reserve stocks until January.

This situation provided the background for the December futures  
(Continued on page 61)



# What's Ahead in Washington

## W. M. KIPLINGER Puts a Few Things in Perspective

**Dear Mac:** Lots of things going on here. Too many for you to try to understand in detail. Too many to write about. I shall try to pick out a few things and tie them together in a pattern, in an outline map, to aid you in a perspective on Washington. Into this broad picture you can fit the isolated developments as they come along.

There's a bit of similarity between what Washington is trying to do these days in reorganizing the system of things, and what you try to do periodically when you reorganize your own business. You don't necessarily tear up everything but you make a lot of changes. Ordinarily you work down from the top of your business, and your reorganization doesn't please those at the bottom. Still, those at the bottom would fare better if they understood the why's and wherefore's, if they would adjust willingly to some of them.

In political reorganizations of things, *you* are at the bottom. You, the business man, the owner or manager of a business, are in approximately the same position as your employees during your own reorganization of your own business. It is up to *you* to understand, as nearly as you can, what the Washington scheme is all about.

You don't have to approve the Washington program—at least all features of it. You can disagree and try to have it changed. In doing this, you are well within your rights. But—the more you understand of what Washington thinks it is trying to do, the more clearly you can determine when to kick and when to go along. It's part of your job as a business man to make your choices *not* sentimentally, but with discernment.

### Business Men and Officials

THE trouble with business men in their attitude toward government is that they are too "particular." They think too much in terms of the particular effect of a particular governmental action on their particular affairs. They are too concrete, too practical in a limited sphere of operations. (Of course, Mac, *you* are an exception.)

The trouble with government officials in their dealings with business or economic problems is just the opposite. They are likely to be abstract, general, theoretical, fancy, hoity-toity, ignorant of the application of their fine theories at the grass roots.

Obviously the situation calls for improvement in understanding, not just one way, but two ways. Teach the Government, also learn from Government. Give and take.

### Business Conferences

THE White Sulphur Conference of business leaders in December was good. It showed an advance in economic statesmanship by the business leaders. It showed a tendency to look at the *whole* rather than at merely the particulars. But, really, it was only a beginning. The collective judgment of 90 Big Business Men doesn't mean much unless it is refined, freshened, further tested, and vitalized by action. The Ten Commandments and the Sermon on the Mount have gone far, not because of themselves, but because of the Church.

In the *execution* of broad economic or social policies, business men are inferior to politicians. That's why politicians are now in the ascendancy. Politicians are clumsy in their way, but business men also are clumsy in their own particular ways. For the present, I'm more interested in prodding you than I am in prodding the Government. It's in *your* interest.

### Business Solidarity

IT IS too much to expect business to present a solid front on political policies. There's no reason why all men who work up to become owners or managers of business enterprises should think alike on government affairs. They never did, they never will.

But there are certain lowest common denominators of general business interest. On these, business men should at least attempt to combine and cooperate. That's why the trade association is so valuable as an economic and social agency. (I mean the *real* trade association, not the idling dummy front with no innards, such as many associations are.) That's why overall organizations such as the Chamber of Commerce of the U. S., the National Association of Manufacturers, and the National Industrial Conference Board, are important in our scheme of government. That's why, also, these need to cooperate, as they formerly didn't, as they now do.

Government once dealt with individuals. Then it dealt with aggregations of individuals—corporations. Now it deals with aggregations of corporations—whole industries, whole trades, whole federations of business organizations. Your cooperation with other business men in your own business sphere is essential to the brand of government which we shall have in the future.

### Business Outlook

BEFORE we tackle the Washington prospects, let's look at the business prospects. In one sense this is putting the cart before the horse, for what Washington does largely determines what business does. But allowance has been made in this appraisal for what Washington probably will do. Furthermore, the big bulk of business is done day-in and day-out without much attention to Washington political influences. It is only the cream line which is determined by political actions.

My technical staff, plus a score of technical advisers occupying strategic positions in the Washington picture, put together a tentative budget of business expectations for 1935. It is probably as accurate as such things can be. For my own purposes I use it to guard against temporary enthusiasms and temporary discouragements as these come along. Here are some of the high points:

*Business volume:* In February, March and April, generally upward, to an April peak of around 86, as measured by the Federal Reserve Board's index of industrial production. Thus, a level of business this spring about equal to that of the spring of 1934. Then a summer decline of slightly more than the usual seasonal character, probably. This summer recession is a subject of con-

siderable controversy among the business analysts, but it seems to me to be reasonably expectable. Thus, for the next six months I foresee no such thing as a boom. Toward the tail-end of the last half, perhaps by October or November, I think there will be a marked rise in business activity.

For the year as a whole, business volume is likely to be perhaps five per cent greater than in 1934. This is improvement, but it isn't as much improvement as the enthusiastic optimists predict.

**Consumer goods:** Satisfactory levels throughout the year. Note that most government efforts at business stimulation are directed toward "human wants," which mean primarily consumer goods. The Government's theory is that capital goods improvement must lag along considerably behind consumer goods.

**Farmer income:** Cash income of farmers in 1935 probably will reach 6½ billions, as compared with six billions in 1934. This means good trade in all lines dealing with farmers and even a better increase than the comparative figures indicate, because farmers have paid off some debts and have their mortgage debts fairly well adjusted, so that they can use a larger proportion of their income in buying goods.

**Durable goods:** A little improvement during the first half of the year, but nothing remarkable until toward the end of the year. Capital issues may get going by mid-year, and this will be encouraging to durable or capital goods, but it will take a good many months to translate new issues into new physical activity. The public works program will step up the capital goods industries, but even here it will take four to six months to get new public works projects "into production." In timing these things, always remember the lag.

**Private construction:** Upward tendency throughout the year, but upward from such an abnormally low level, and upward so slowly, as to be unspectacular. Nothing resembling a building "boom" is in sight this year.

**Commodity prices:** On the average, slightly higher between now and April. Then a weakening toward mid-year, and a moderate rise in the fall. Price averages at the year-end slightly higher than now, but without any spurt. This appraisal is based on the assumption that credit inflation, although in the making, will not result in very active business until 1936. As regards manufactured goods, competition will keep down their prices for a long time yet.

**Interest rates:** Progressively downward, under government pressure. This is part of the Government's program for forcing "idle money," including personal savings and corporation surpluses, into seasoned bonds which pay higher rates, or into equities, or into risk-taking business ventures.

**Corporation profits:** Perhaps five per cent better in 1935 than in 1934, but lower in first half, higher in second half—1935 as compared with 1934.

**Private employment:** Some improvement throughout the year, but not nearly enough to take up even as much as half the slack for at least a year yet. This is one of the principal factors in making expectations moderate.

**Railroad traffic:** Obviously it cannot improve much until well along toward the end of the year.

**Resorts, travel:** Expect continuous improvement. It always happens toward the tail-end of a depression.

**Advertising:** We are entering a new era of competition, following a short period of a year or two in which it was assumed that somehow or other competition was unnecessary. The new era means more fighting for business, with increased advertising as one of the weapons. It is inevitable.

**General course of business:** Up in the first quarter (now), then down in a long shallow U-shaped curve in the middle of the year, and up again toward the end to

a level a little higher than at the beginning of the year. A *creeping recovery*, not a boom, in 1935.

## Budget in Red for Six Years

THE heart, the meat, the focal point of most major government policies is in the budget. The blood of private business is credit, and the credit policies of the nation are now made pretty much by the Government, and the Government's credit course is influenced largely by its own needs. Thus the federal budget's influence cuts deeply into your own business.

Look first to the past. The last year in which our Government ran in the black was 1930. In that and previous years the expenditures were in the neighborhood of four billions a year, and the receipts were more than that. Surpluses were used to retire the public debt, which got down as low as 16 billions by the end of 1930, fiscal year.

Then came the red ink years, 1931, 1932, 1933, 1934, and now 1935 and 1936. Six years of unbalanced budgets.

Net result of the six years: Increase of the public debt from 16 to 34 billions (anticipated).

And, as yet, no end in sight, for there is no *promise* to balance the budget in 1937. It *could* be done, but I doubt it will be done before 1938.

This means that the Government is living largely on its borrowings from banks. To enable banks to lend billions, the Government expands bank credit. This eventually will become "inflation"—if it goes too far.

How far is "too far"? There's no brief answer, technically accurate. We could expand public debt to 50 billions or more, if the Government had a system, a plan, a method, a "five-year program." But the Government hasn't. There's the rub, there's the danger.

## Budget for 1935, 1936

I CAN give you no facts which haven't already been published, but perhaps I can give you a bit of perspective and proportion.

First, 1935, the current fiscal year, ending next June 30:

Receipts, mainly from taxes.....	3.7 billions
Expenditures, more than half emergency.....	8.6 billions
Deficit, the largest of the depression.....	4.9 billions
Public debt by next June 30.....	31.0 billions

Now take 1936, fiscal year, starting in the middle of this calendar year, running to the middle of the calendar year 1936—the year for which Congress is now making appropriations:

Receipts, mainly from taxes.....	4.0 billions
Expenditures, about same as in 1935.....	8.5 billions
Deficit, to be covered by borrowings.....	4.5 billions
Public debt by June 30, 1936.....	34.2 billions

In 1936, where the money comes from:

Income taxes, individual and corporate.....	1.2 billions
Sales taxes of one kind or another, although not so called, nearly.....	2.0 billions

As regards these sales taxes, they are classified as "miscellaneous." They include excise taxes on certain specific commodities. They include processing taxes, which are essentially sales taxes with proceeds earmarked for farm benefit payments. The point is that our tax revenues at present are lightly weighted on incomes, and heavily weighted on commodity sales. We already have "sales taxes" on a big scale.

Here's what we will get in 1936 from taxes on commodities, apart from income taxes: Processing taxes on farm stuff, 570 millions; liquor, 430 millions, including 225 from beer, 180 from distilled spirits, and very little from wines; tobacco, 466 millions; other excise taxes, 500 millions; total nearly 2 billions, see above.

The average man pays *much* more in taxes when he buys these four articles—cigarets, beer, whiskey and

gasoline—than he pays in income taxes. It's a point which is not generally recognized. Other relatively minor sources of government income, 1936: Customs, 300 millions (they've shrunk); estate and gift taxes, 215 millions; capital stock and excess profits, 100 millions.

Now turn to where the money goes, 1936:

Ordinary "regular" government expenditures without any public debt retirement sum..... 3.3 billions  
In 1930, a normal year, regular expenses without debt retirement were..... 3.4 billions  
(Thus the Roosevelt Administration, in fact, has not reduced the usual government expenses materially, despite its campaign pledge to cut them 25 per cent.)

Add to the 3.3 billions of "regular" expenses the budgetary item for debt retirement, 636 millions, making:

Total ordinary or "regular" expenses..... 3.9 billions  
Add also the emergency expenditures..... 4.6 billions  
Total budget, regular and emergency..... 8.5 billions  
Deficit, to be covered by borrowings..... 4.5 billions

So there's the budget over which Congress will be chewing between now and late June. It isn't considered as a unit, in a single bill, but in many appropriation bills, and one or more taxation bills.

The pressure in Congress will be, of course, to exceed the budget program laid down by the President.

Soldier's bonus, for example, is not included in the budget, yet the prospects are that Congress will vote some sort of cash bonus payment, and whatever this costs will be added to the budget, thereby increasing the deficit and the public debt. (It is assumed that fiat money will not be finally included in the bonus bill.)

## Pay Later By Taxes

THERE'S no mystery about how we are going to pay. The Government has only one source of income—taxes. We shall be taxed more in future years than in past years.

Prospects for increase of taxes by this Congress are uncertain. The President hopes to avoid tax increase, and is laying his plans for no increase. Congress is like-minded. The argument is that the recuperation period is not a good time to load more taxes on the public. But look to next year: Campaign year is certainly not a good time to raise taxes, and it will be said that the recuperation is still under way. There *never* is a time when the public thinks it a good time to raise taxes.

There are grounds for suspecting that our Government is taking the primrose path in its budgetary policies.

Some of our big current outlays are "loans" and will be repaid. There are no dependable figures on how much these repayable items total, but they aren't enough to change the big picture materially.

Sales tax: Chances are very slim for any general manufacturers' sales tax this year.

Existing excise taxes or "nuisance taxes" will be extended beyond June, when they expire.

## Devaluation Ahead?

WILL the dollar be further devalued from 59 to 50? No one knows, not even the President, who already has power to do it. Apparently he prefers not to do it, for he is dissatisfied with the results of devaluation to date. Further action probably depends on two things: (a) some devaluation move among the gold bloc countries of Europe, accompanied possibly by international agreement, although this is not yet in sight; (b) some big push in Congress for currency inflation, which the Administration might prevent by clipping the dollar to 50. Chances are against this devaluation at any time within the next six months, but it is one of those things impossible to foretell accurately.

## Inflation in Offing

THE Government's course continues to be steadily in the direction of inflation of *credit*, abundant bank credit, ample power to lend. But this probably will not take effect for at least a year. Some time in 1936, probably not before, there will be evidence of inflation in action.

There is bound to be fear of currency inflation as long as Congress is in session. But the chances are that the numerous bills proposing issuance of fiat money for one purpose or another will be either killed or so tempered as not to be effective.

## Other High Points

**Agriculture:** Most of the AAA amendments will pass Congress. AAA is now working better, more down to earth. Processing taxes will be continued through the year. The

land utilization program is the biggest thing on the agricultural horizon for the future. Limitation of production is not to be abandoned, but it is to be less emphasized.

**NRA:** A new law, limited to industrial controls which have been demonstrated to be feasible, will be enacted. Price and production control are being abandoned.

**Natural resources:** Some sort of regulation of production for oil and other natural resources will be worked out, but it's hard to say just how.

**Labor:** Congress will declare for the principle of shorter work week, with extra pay for overtime, but the principle will not be applied drastically at this time.

There will be a clarification and definition of collective bargaining, Sec. 7(a). It will be in the general direction of squeezing out company controlled unions, and of strengthening the position of trade unions.

**Unemployment insurance:** Some bill will be enacted, but it will take several years yet to get the system going.

**Old age pensions:** There will be legislation. It will not cost the country any more than relief.

**Dole:** Despite government intentions, it will prove impossible to abolish direct doles completely this year. There's too much readjustment yet to be made.

**Work relief:** Similarly it will take a long time actually to create publicly financed jobs to provide work for the five million employables now on relief. These things can't be done in a month or two or three.

**Housing:** By the latter part of the year there will be a good deal of government construction of low-cost housing, in both cities and rural areas.

Private residential construction probably cannot get going on any big scale until 1936. Federal Housing Administration has proved to be a minor good thing but not a major good thing as a recovery agency. Congress inevitably will build some sort of fire under FHA.

**Utilities:** The President is determined to limit the powers of holding companies in various ways. He's much more rabid on the subject than most of his advisers.

Operating companies have less to fear, but they can't breathe easily for a year or two more.

**Railroads:** There will be new legislation to facilitate financial reorganization, to squeeze minority security holders. RFC lending policy will be liberal.

**Banking:** New legislation will put the whole banking system more closely under the control of the federal Government. Banking will be pretty thoroughly regimented.

**Constitution:** The Supreme Court has demonstrated that the Constitution is still with us.

Sincerely yours,

Wm. F. Anger





One hundred families have occupied the FERA rural-industrial community at Woodlake, Tex.

**T**HE housing problem, for all the current headlines it commands, is an ancient one.

Considered individually, it dates back to the first seeking of our hairy ancestors for permanent shelter from the elements. In its more specialized modern sense, however, it applies to the deficiencies in number or condition of dwellings for our lower-income citizenry. It has assumed important proportions in many countries since the industrial revolution. Concentration of masses of workers in cities, their weekly pay envelopes their sole, uncertain, and often inadequate support, has made the problem a pressing one from economic, sociological, sanitary and often political standpoints.

Influenced by these and other factors, including a growing social consciousness, much progress has been made toward ameliorating the problem for those of more adequate incomes, this largely by private—though partly by public—enterprise. How well these efforts have succeeded in this country is shown, in a degree, by the fact that the 1930 census shows 46.8 per cent of our nearly 30,000,000 families owning their own homes either wholly or in part. In a population as transient as our own, that percentage bulks large. Even for many of these homeowners the problem is by no means entirely solved, however, and it becomes more and more acute as successively lower income groups are considered.

Essentially, of course, housing problems are local in

# The Tangle

**HOUSING**, which we have until lately regarded and treated as a local problem, is now being attacked from many angles and by many agencies of the Federal Government. This survey shows some of the overlappings in practice and conflicts in theory of the program

nature and until recently have been so considered and largely treated in this country. Widely varying conditions relating to housing as among our communities have dictated this course. In the main, they still dictate such a course, but under the leveling influence of the depression Congress and the Administration have attacked the problem on a national scale, partly with a view to increasing the economic security of the family and partly to make revived home construction a force for increased employment.

This federal treatment of the problem is proceeding on two broad fronts, one with the objective of providing more and better homes for our lowest income groups through direct federal action; the other with the objective of providing homes for a wider group through a federally encouraged and guided revival of private construction.

The first is under the leadership of Federal Emergency Relief Director Harry L. Hopkins and Secretary of the



# of Federal Housing Plans

By **PAUL H. HAYWARD**

Of the staff of **NATION'S BUSINESS**

Interior Ickes—both in his rôle of Secretary and of Public Works Administrator. For convenience we will call this the Hopkins-Ickes attack.

The second is being conducted by James A. Moffett and his Federal Housing Administration.

Before considering these efforts, however, let us recall two others which marked the Federal Government's large-scale entrance into the housing problem. These are the Home Loan Bank Board and the Home Owners Loan Corporation, of which more later.

The Hopkins-Ickes attack is being carried forward through three agencies, the Housing Division of the Public Works Administration (slum clearance and low-cost housing), the Subsistence Homesteads Division of the Department of the Interior, and the Rural Rehabilitation Division of the Federal Emergency Relief Administration (rural-industrial communities).

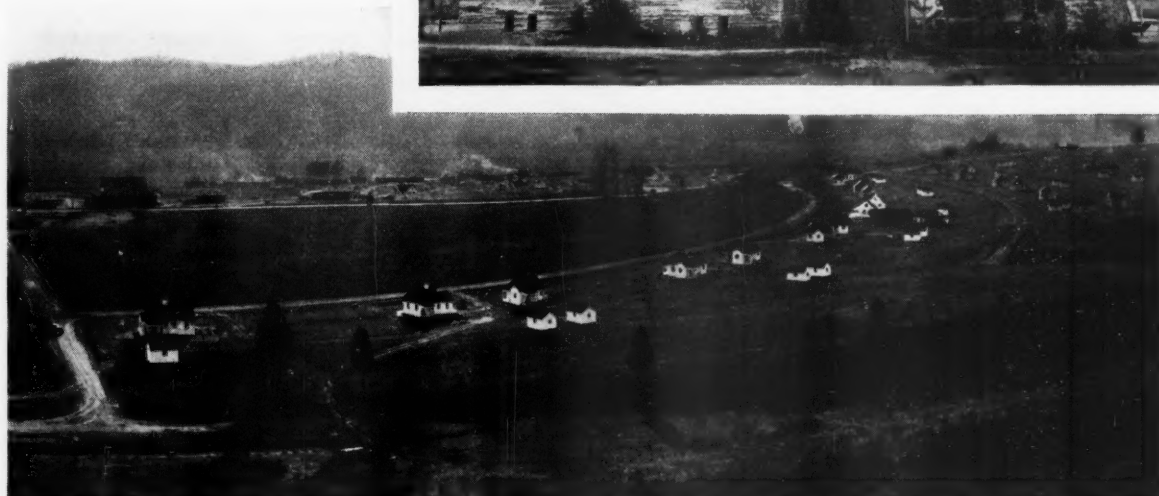
"Social need is the justification for low-cost housing," Secretary Ickes has declared, and that thought

rules the various Hopkins-Ickes housing activities. This group sees a need for decent housing at low cost or rentals and is moving toward that goal on what they conceive to be the most direct path. Their projects—save those municipally executed under PWA, which will receive the usual PWA outright grant of 30 per cent—are supposed to be self-liquidating. Profit does not concern this group, and critics' cries that the program competes with and discourages private enterprise are both denied and disregarded. Private enterprise never has offered homes which these lowest-income groups can afford, the Hopkins-Ickes folk assert. Consequently they see their housing offerings as tapping an entirely new market.

A recent statement by Secretary Ickes in the *New Republic* concerning the PWA slum-clearance and low-

The Interior Department has many applicants for every subsistence homestead offered

At Red House, W. Va., one of FERA's 50-odd communities, 153 houses are now being completed



cost housing program touches on the attitude of his school toward private enterprise and also describes the evolution of this particular phase of the program. He said in part:

It was thought that the local problems (relating to low-cost housing) could be resolved by private initiative, that limited dividend groups, borrowing 85 per cent of their capital from PWA, could organize and operate their own projects. An invitation went out for the formation of limited-dividend corporations to provide low-cost housing for this country. Our much-vaunted private initiative, as so often happens when the goal is a social good instead of a private profit, was unable or unwilling to undertake much that was worth while. With the failure of private enterprise to provide low-cost housing, even with government aid, the Housing Division decided it would have to do its own constructing and operating.

So much for the philosophy behind the Hopkins-Ickes housing activities.

Let us now look at the progress and present status of this group's three-fold program.

### Plan to replace city slums

THE PWA Housing Division phase aims chiefly at correction of acute housing shortages and also replacement of city slums with model structures. These last are intended to rent for not more than \$7.50 a room per month and to be self-liquidating on that basis.

This Division was set up July 20, 1933, and given \$146,800,000 of PWA funds. As of January 4, seven of the limited dividend corporations which Administrator Ickes mentions had been organized, \$12,433,000 allocated for their financing, and \$4,240,000 actually spent. Of these government-aided private enterprises two were complete. One, an apartment house in Philadelphia, provides 284 living units renting for an average of \$10.51 a room per month. The other, at Alta Vista, Va., consists of 50 small houses which rent for \$16 to \$20 a month. Three of the remaining incomplete projects are in New York, the others in St. Louis and Euclid, Ohio. The seven will provide a total of 3,401 living units.

The Housing Division's own construction was proceeding or planned through 49 federal projects, involving 38,125 living units and \$149,756,000 in allocations, actual or tentative. It is important to note that all these government-owned projects are to be constructed by private contractors, contracts being let by the Housing Division to lowest responsible bidders.

Of the 49, 13—all large-scale apartment projects—had been approved and announced by January 4 and were

in various stages of actual progress. Commanding \$79,807,000 in allocations and providing 18,705 living units, they will rise in New York (5,000 living units); Chicago (6,900); Atlanta (1,283); Cleveland (660); Indianapolis (1,044); Cincinnati (1,960); Detroit (1,236); Montgomery, Ala. (162), and Louisville (460). Actual expenditures on them as of January 4 totalled \$2,064,984.

Sixteen more projects, commanding \$30,821,000 in allocations and providing 8,240 living units, had been authorized but their announcement was being withheld pending completion of land negotiations. Twenty others, involving \$39,128,000 and providing an estimated 11,180 living units were being made ready for approval, contingent upon availability of funds, acceptable local agreements, etc.

Allocations of funds, actual and tentative, for all PWA Housing Division projects thus totalled \$162,189,000; living units to be provided through them totalled 41,526, and actual expenditures of PWA funds on them, \$6,304,984, all as of January 4.

The subsistence homestead (Interior Department) phase of the Hopkins-Ickes program was organized in August, 1933, and given a \$25,000,000 revolving fund. Designed as a demonstration project which will assist in decentralization of industry, it provides small suburban homesteads for low-income families (\$600 to \$1,200 a year) now located in industrial areas where unemployment and part-time employment are heavy. Its activities originally were conducted through local corporations subsidiary to its operating agency, the Federal Subsistence Homesteads Corporation, but all projects were federalized last spring and are now being conducted by direct federal action.

### Seventeen projects under construction

BY December 22, 1934, the Division had allocated \$18,920,252 to 62 projects. These will provide 6,612 dwellings. Seventeen of the 62 projects were under actual construction on that date. They are located at Monticello, Ga.; Decatur, Ind.; Macomb, Tupelo, Meridian and Hattiesburg, Miss.; Pender County, N. C.; Dayton, Ohio; Westmoreland County, Pa.; Crossville, Tenn.; Houston, Dallas-Ft. Worth, Wichita Falls, Three Rivers and Beaumont, Texas; Reedsville and Tygart Valley, W. Va.

They will provide 1,064 dwellings, of which 162 were completed, 599 under construction, and 303 were ready  
(Continued on page 47)



Contract for one of PWA's 13 large apartment projects was recently let at Atlanta. Occupying a former slum site, it will house 604 families. The illustration shows a portion of the project, known as Techwood, as it will appear completed

WILLIAM DUNN STUDIOS



# Why Industry Hesitates

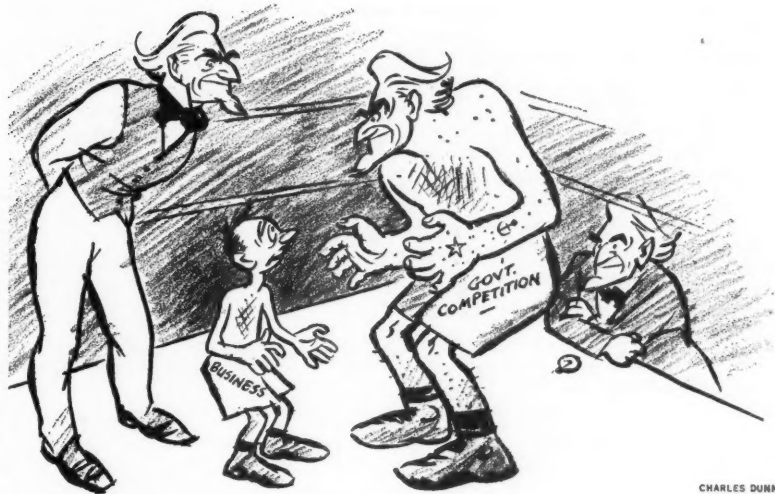
By FORNEY JOHNSTON

**N**O expertness in economic analysis is required to reach the conclusion that a principal deterrent to general stabilization has been the belief that the Administration remains distrustful of the motives and economic justification of the American industrial machine. Even in those sectors where recovery is still remote and industrial unemployment most acute, there is a distinct belief that the swing upward lacks only a hearty and a friendly gesture from the Administration.

Unfortunately for that confidence which must be spontaneous, which cannot be decreed by law or by executive order, and which is the principal key to recovery, there is a widespread belief that the heartiness and the gesture have thus far been withheld; that the Administration still lays major emphasis on the more obvious malpractices of the past, which so greatly aided the political upheaval of 1932, rather than upon the essential average humaneness and economic soundness of commerce in America.

Century-old survival and accomplishments have, on the whole and subject to correctives as are all human processes, fully justified the government of the American people in using the industrial organization as the indispensable basis for any national effort to aid recovery.

The official address of the Crown on the opening of the British Parliament—the accomplishments of the British Government in overcoming since 1932 more basic economic difficulties than confront America—the relatively greater progress of Canada—leave no doubt that the Governments of both of these peoples have made headway by basing recovery on industry; by inspiring confidence through sincere and effective cooperation rather than by continued expressions of distrust or plain evidence from the official personnel of the belief that industry has failed to justify a reprieve and that its parole



CHARLES DUNN

No private business can compete in a field where the Government is not only his competitor but makes the rules and enforces them

**A REVIEW of the impediments to industrial confidence and recovery together with an examination of some of the probable results if the Government continues and expands its policy of reviving business by national ownership and operation**

must be revoked. To expect under these conditions enthusiastic response in terms of credit, expansion of plants or the changes in machinery so characteristic of American industry, is to ascribe a greater degree of folly to industry and commerce than the most energetic upheavalists have charged.

## Business-baiting

A RECENT writer has revived a forgotten passage by John Ruskin, to the effect that "in true commerce, as in true preaching or true fighting, it is necessary to admit the idea of occasional voluntary loss; that sixpences have to be lost, as well as lives, under a sense of duty; that the market may have its martyrdom as well as the pulpit; and trade its heroism, as well as war."

No general staff ever inspired voluntary martyrdom by an order expressing doubt as to the patriotism of its forces and intimating that, regardless of the outcome, the entire command would stand some sort of drum head trial for generic delinquencies.

The most significant evidences of the Administration's lack of confidence in the American system of industry, resulting in a reciprocal lack of confidence within industry, are these:

1. The fixed notion that recovery must be political or administrative rather than industrial, as evidenced by the excessive reliance placed on direct expenditures by Administrative agencies.

2. A conspicuous unwillingness to have industry in fact represented in the councils of the Administration in determining basic recovery policies. I do not refer here to the administration of the codes,

but to the determination of basic policies, in which the equivalent of coalition can alone bring about mutual confidence.

3. The conception that industry has failed to justify its ability to provide the people with service or commodities at reasonable prices and that Government must adopt the functions of manufacture and distribution.

The first two impediments to industrial confidence and recovery in the United States will not be elaborated here, except by the statement that, without exception so far as reasonable inquiry can disclose, there is no single industry in America which does not invite the principle of coalition and of reciprocal confidence; which does not believe that there can be no effective progress otherwise and which is not ready to make all reasonable sacrifices to advance sound economic principles.

The third impediment will be examined here.

No formula for the protection of freedom devised by those who drafted the Constitution has been more brilliantly justified by history than that which limits the Federal Government to national and governmental functions, leaving to the states the experimentation in collectivism or socialism.

If the states are to make these experiments, the safety of our people lies, first, in their right to prevent the exercise of proprietary functions by the Federal Government, and, second, in their right to maintain the free flow of interstate commerce into the infected areas.

If the people permit the Federal Government to engage in proprietary business, the effects of the mistake will tend to become national and complete. There can be no infiltration of competitive commerce into the infected areas, because no private agency can compete when the national Government determines to take the market.

Commerce can, in theory, be choked at its origin by the dominant competition of the Government or at its destination by political experiment and interference

with the flow of commerce within the state. The Constitution forbids both, and it is the right of the people, and of those whose property and business are directly jeopardized, to demand that the law be obeyed by the governmental agencies which have sworn to uphold it. No economic sophistry as to cheaper commodities or platitudes as to community collectivism can warrant the surrender by the people of their right to carry on their lawful businesses free from government competition.

It is necessary to state the case against government competition in business because our Government is engaging in a multitude of functions that threaten every business activity

of the American people with competition by the Government. It is also necessary because of the general disposition to extend emergency relief and internal improvements into the field of industry. Whether this program is undertaken to supply departments or to provide so-called yardsticks or under the seductive guise of selling commodities to the public at cost apparently less than that at which the commodity is obtainable from private business, it is bound to have destructive consequences. None of these excuses can justify the Federal Government in displacing individual initiative.

First of all, the term "competition" is a misnomer. Carried to its logical extent, government competition, financed by public funds, tax free and supported by the prestige of an aggressive administration, can, if it wills, take the market. Down that road lies national ownership and operation of all essential industry.

### No restrictions

MOREOVER, there is no logical restriction of government activities to the power business or any other industry now marked out for federal operation. So far as the Federal Government is concerned, there is no historic or logical distinction between businesses affected with a public interest—such as railways and water systems—and cotton mills, coal mines, foundries and grocery stores on the other. Operation in either group is foreign to the functions of the non-socialistic national government prescribed by the rules of the American game.

Nor should any manufacturer of any commodity of general use not presently affected by the announced plan for governmental competition assume that his business is exempt. It happens at the moment that power constitutes the basis of the most far-reaching program of federal proprietary operations in our history, permanent in character and unmis-

## Restored Confidence

THE great majority of the people is the owner of American business. Each insurance policy holder, each man or woman who has savings in banks or building and loan associations, each holder of a share of stock or a bond has such savings invested in some corporate business activity. In addition, there are nearly three million partnerships and individual undertakings. When Government enters a business it competes unfairly with the great mass of its citizens and the small business and the individual of small means are the first to suffer.

Two years ago a committee of Congress found that the Federal Government was competing in more than 200 kinds of business. Since then the scope and intensity of such competition has greatly increased.

Private enterprise supplies all public revenue. Programs for work relief do not justify the Government in competing with its citizens in producing and distributing goods. Government competition dries up the source of its own support.

Government operation of business by its nature is wasteful and inefficient. No Government can remain solvent which does not bring expenses within income. The discontinuance of these government business operations will hasten the balancing of the budget and the reduction of taxes.

Government competition with private business leads toward Socialism. This destructive competition, carrying with it the threat of extension into other fields, has profoundly shaken the confidence of millions of men and women. Restore confidence; and the normal exchange of goods, services and labor will return.

—From the Declarations of the Joint Business Conference for Economic Recovery held at White Sulphur Springs, W. Va., December, 1934

# The Red Necktie as a Selling Force

An interview with C. T. BURG  
General Sales Manager, Iron Fireman Mfg. Co.

**"PUT** on a gray suit and red necktie and live accordingly," advises C. T. (Cy) Burg, General Sales Manager of the Iron Fireman Manufacturing Co., Cleveland. "If you ever knew anything about a depression, forget it. Stop reading and listening to pessimism. A salesman is neither a father confessor nor an undertaker.

"Few desirable things will grow in a dark, gloomy place. This applies to thought and sales as well as plant life. A salesman is essentially a builder—a grower of ideas in the minds of people. As such, the development of technique to maintain his own optimism and enthusiasm is an important part of his job."

The progress of Cy Burg's company confirms his advice. Since it started 11 years ago in a corner of a Portland, Ore., machine shop, it has grown from a three-man organization—of which Burg was the salesman—to a family of more than 1,200 salesmen, 893 dealers, six factory branches, factories in Portland, Ore., Cleveland, and Toronto, Canada, and distribution in 11 countries in Europe, the Far East, and South America.

And Cy Burg's persistent refusal to listen to or even read anything about the stock market crash, bank failures or hard times led his organization to the largest number of unit sales in its history in 1933. The first half of 1934 showed a 56.4 per cent increase in unit volume over the same period in 1933. Both in unit sales and net earnings the company has exceeded, in the first ten months of 1934, the record for the full calendar year of 1933.

At a recent sales convention in Cleveland, eight salesmen got up and told how they made from \$6,000 to \$7,000 in 1933 by knowing their jobs and working at them—by wearing "red neckties"—by ignoring the gloom that put many men under the sod, mentally if not physically.

In fact, the red necktie—Burg's symbol of optimism, enthusiasm, a pleasant smile, good cheer, hard work and the shutting out of destructive thought—has become a by-word in his sales organization.

W. W. SNYPP passes on some pointers for salesmen and sales managers as they were revealed to him by a man who practiced these preachings through the depression—and whose company has increased in size and volume while he was doing it



CHARLES DUNN

After the crash, those salesmen who "put on red neckties" and refused to be panic-stricken went on to new sales records

"Hang up a red tie" is their slogan indicative of what it takes to win.

When Burg visits a dealer—and he spends about half of his time traveling among them—he leaves his marks in red around the necks of many salesmen. Red neckties are awarded for sales knowledge as well as for sales accomplishment because it is the spirit of which the red necktie is emblematic, according to Burg, that is essential to sales success today.

## Real salesmen carried on

"THE 1925-29 model salesmen," says Burg—"the floaters—who shifted about from line to line—vacuum cleaners one month, washing machines the next, ever in search of the easiest peddling, not selling by any stretch of the imagination—are totally out of the picture today, thank goodness. Their precarious existence, even pseudo success at times, was made possible by the wave of flam-

boyant prosperity that swept the country.

"When it subsided, so did they. They knew nothing about hard work, or the knowledge of product, market, and selling method that is sales power. When they awoke with a depression in their laps, they were overcome with gloom. The Wall Street crash, the bank failures, the pessimistic talk got under their skins. They put on black suits, black ties, and joined the chorus chanting their own funeral dirge.

"But those salesmen who made a profession of their business and business of their profession, who put on red neckties and refused to be panic-stricken by the calamity choristers, went on to new sales records—and increased earnings. The world wasn't made in a day. It can't be wrecked in a day—by men. There aren't enough men."

Statistical proof of the success of the salesman who stands by his profession to the exclusion of distracting



influences may be seen in a tabulation which Burg's company made covering the sales activities of ten men in one of the leading middle western cities over the four years, 1930-31-32-33.

It took 11.6 surveys for each sale, 9.5 presentations, and 4.7 demonstrations. The total number of surveys made was 6,617, presentations 5,438, demonstrations 2,711—total sales 572. Average calls per day per salesman were 6.8. Some idea of the dollars and cents value of each of these sales steps may be seen in another tabulation covering a number of salesmen in the same city during the years of 1931 and 1932.

#### Each call has a value

THE high man earned \$12.85 for each survey made, \$20.21 per demonstration, each call netted him \$1.08, and each effective call \$5.22. By "effective" call is meant one in which the actual potential buyer was talked to rather than someone without the authority to sign an order. Low man in this tabulation made an average of \$5.06 for each survey, \$13.07 on each demonstration, .67 per call, and \$1.85 per effective call.

There is a difference, of course, between the effectiveness of the two men; between the use of heads as well as feet, which is only natural. These figures do prove that there is a definite value to each sales call when spread over a period of time, with substantially increased value on each "effective" call.

Another interesting compilation made by Burg's company in arriving at laws of averages to serve as a guide to their sales organization shows the differences between various sized communities in sales effort required. For each sale in a community of more than 300,000 population, 13 surveys are required; a community of 100,000 to 300,000 demands ten surveys; 10,000 to 100,000 takes seven, and the smaller communities up to 10,000 only five surveys.

When you consider that this company is covered by dealer representation in every county of the United States, and lists every chimney and smokestack as a "suspect," these figures become significant.

"The salesman who disciplines himself," declares Burg, "to make a definite number of effective calls each day—certainly not less than eight—and constantly strives to increase his own effectiveness, will find his dollars and cents average per call mount-

ing consistently over the years. This is true in other lines as well as our own. There is Horace Mecklem, Portland, Ore., insurance man, who has written considerable insurance for our company. He kept a record of his activities over a 26-year period. The first five years he was in the business, 1909 to 1914, he made an average of \$2.66 per call. For the period from January 1, 1910, to August 15, 1931, the average value of each call was \$9.61. The value of each call jumped to \$21.48 in the five years from 1926 to 1930. These figures do not include premium commissions.

"Mecklem, in a letter to our vice president says, 'I know that by working from 8:30 in the morning until 5:30 in the evening and tending strictly to business I can call on an average of 15 people each day. Out of the 15 on an average I can actually interview seven. The other eight are either out or busy and cannot be seen.'

"Over the 26-year period, I have sold insurance to an average of two people each week. I have averaged one sale of a policy in about every 12 interviews. To succeed once I have failed 11 times, but I should worry. The business has yielded me a better than average living.

"When I interview a man I ask him to buy before the interview is closed. I can go around among friends and strangers and tell them what a wonderful thing life insurance is but, as the result of such a sales talk, not

the 1935 model salesman. Such a man can be guaranteed a satisfactory income anywhere in the country today.

"You will find him in all probability dressed in light colors as a matter of innate opposition to all things of a depressing nature. He is too optimistic and ambitious to waste time on any form of contact with destructive thought. He refuses to read it or listen to it. It has no part in his life.

"He knows that ideas cannot be taken out of the minds of those with whom he talks. But he knows that other, constructive ideas can be put in their minds and developed until they overshadow the others. And he knows that this is his job as a salesman. He goes about it enthusiastically, studiously, and in a businesslike cheerful way.

"He plans his work and works his plan. He doesn't go to bed at night until he has carefully outlined the next day's work. He knows exactly whom he is going to call on and why; what he is going to say and how; and at the end of the day he makes a thorough record of the results of each contact. That's the 1935 model salesman.

"Our organization alone can use from 300 to 500 such men today, and I don't doubt that many other national organizations are similarly in great need of the 1935 type of salesman.

"They may come from any line of selling or any other profession. A Washington, D. C., architect didn't know he could sell when he came with our company four years ago. He merely looked toward making a little money through a few transactions with friends inasmuch as his profession no longer offered him a means of existence. Last year he earned more than \$6,000 in sales commissions.



They put on black suits and joined the chorus chanting their own funeral dirge

one in a hundred would actually make a purchase. On the other hand, if I tell them what a wonderful thing life insurance is, and then go a step farther, and ask them to buy it, one out of every 12 interviews results in a sale.

"If you add to Mecklem's method the spirit that causes a man at 4:30 in the afternoon, after a hard day when his energy is at low ebb, to go on and make one more effective call before dinner, you have the essence of

#### Hard to judge salesmen

"A FORMER corset salesman who came into the mechanical product field with us has become one of our leaders, although he has not to this day learned

the mechanical fundamentals which we generally consider so essential. Mechanics, bookkeepers, engineers; in fact, they come from every field.

"Frequently a successful salesman from some other line joins us and fails completely to the utter confusion of any concepts we may have formed governing the elements requisite to sales success in our business. No matter how confident he may be of his sales ability when he

(Continued on page 51)

# What Went Wrong in Lumber Code

By DR. WILSON COMPTON

**W**RITING in NATION'S BUSINESS a year ago,<sup>1</sup> I sought with some trepidation to forecast the future of the Code of Fair Competition for the Lumber and Timber Products Industries, then widely hailed as a "model code" and unique, among the manufacturers' codes, in its great number of units, its vast incidence upon business life generally, and its conservation undertakings. I called it a "great adventure" and in conclusion I said:

It is too early to say that this effort to attain a planned and ordered industry will succeed, but it is not too early to say that if it does not the lumber industry will deteriorate until the objective is attained in some other way. It is perhaps true that we voice our aspirations at present more than our experience. In another year the rumblings of revolt that are now heard in some parts of the woods, may be very real. The whole plan of ordered industry in a capitalistic economy may be found unworkable. But now I am sure that the spirit, and the purpose, of the lumber industry is prayerfully, energetically, and hopefully to seek the success of the lumber code and through the code its contribution to the great national recovery undertaking.

To borrow a familiar New Deal phrase, let us take a "look at the record."

Notwithstanding the obstacles and adverse conditions which it was plain the industry would encounter in its progress toward self-government under NIRA, there is no doubt that the code was welcomed and enthusiastically supported in the outset by a vast majority of the most substantial men in the industry. Until last spring it was generally hailed as a successful new charter. Since then it has been navigating a stormy sea.

The part of the code which has been the principal source of fault-finding outside the industry, and of dissatisfaction, division and revolt within, has been that relating to the so-called "cost protection minimum prices." After months of recrimination and stormy councils accompanied by confusing and contradictory court actions and colliding and vacillating administrative orders and opinions, the National Industrial Recovery



COURTESY U. S. FOREST SERVICE

**WHETHER a minimum price control can be successfully administrated in an industry or group of industries having tens of thousands of units, most of them small and competitively inconspicuous, probably will never be settled to everybody's satisfaction**

Board, by summary order, on December 22, suspended the minimum prices alike in those divisions of the industry where they were being observed and in the divisions where they were not being observed.

Using our most experienced hindsight, some of us in the industry are aware that the minimum price protective feature in the code was a product of its hopes rather than its expectations. As a matter of fact, the grant by the National Recovery Administration to the Lumber Code Authority of a power to establish minimum prices under such liberal conditions and terms was somewhat of a surprise to the industry itself. It would probably have turned out to have been more useful if the range of industry discretion in the outset had not been so wide.

## Compensation for wages

IT WAS, I dare say, approved by General Johnson

in one of his not infrequent compensatory moods. By that I mean that, having gone rather riskily far in extending the wage and hour burdens imposed on the industry, he may well have felt that something must be done about its income. Anyhow we got, rationally enough as then it seemed, authority to establish minimum prices as a means of insuring the industry financial ability to pay greater proportionate wage increases than had, I believe, been assumed by any other large industry under code.

However, it is only fair to say that there was general satisfaction, if not jubilation, in the industry when it was learned that the code would establish authority, within limits of partial cost recovery, to "establish and enforce" minimum prices.

Whether under any circumstances a minimum price control can be successfully administered in an industry or a group of industries having tens of thousands of units, most of them small and competitively inconspicuous, will probably never be conclusively settled. But reasons other than mere size and numbers kept the experiment in the lumber and timber industries from having a fair trial. At the start, from the standpoint of general enforceability, the minimum prices were put too high—somewhat higher than the average actual market at the time, even though below an equitable accounting

<sup>1</sup>Dr. Wilson Compton, is secretary and manager of the National Lumber Manufacturers Association, and also President of the American Forest Products Industries, Inc. The article to which he refers, "Putting a Code to Work," appeared in the January, 1934, NATION'S BUSINESS.

average of "production costs." Thus, marketwise, the "minimum" became the "maximum" and, with only minor exceptions, it never became anything else.

In my article of a year ago I referred to "price competition firmly bottomed." Our established minimum prices may have been fairly enough called "bottom prices." But our experience shows that a "minimum price" for a whole industry is not a "bottom" merely because it is so described by law. In other words, it must be a price so low that it will offer little temptation to undermining or deliberate chiseling or, to quote my former words, "that the outlet for individual initiative and ambition is refinement of product, improvement of processes and bettered merchandising."

### Minimum prices wouldn't stay fixed

ACTUALLY, thousands of lumber mills discovered—or thought they discovered—that they could "beat" the minimum prices and still make a profit or at least get in more cash than they were paying out. These prices—exasperatingly low to bookkeeping millmen—looked so lavish to the backwoodsmen that they opened some thousands of new mills, mostly small, in an industry already overcapacitated. From this fact only the machinery manufacturers profited—if indeed they did. Hundreds of these mills, newly built, or old mills revived and manicured, children of "cost protection minimum prices," promptly turned on their parent and, with the connivance of wholesale distributors under no code, cannibalized her.

Furthermore NRA, probably unavoidably, was so slow in capitalizing on the initial enthusiasms and good will of the industry that it lost a golden opportunity to crystallize minimum price observance into an industry-wide habit before the chiselers recruited such numbers and such boldness that a murky atmosphere of doubt, cynicism, and skepticism was thrown around the whole undertaking. For a time it seemed that the attitude of NRA, if not the New Deal Administration itself, was one of sympathy and support for the very elements which were in fact inimical to NRA, seeking special advantages often concealed behind sonorous platitudes about freedom from oppression.

For instance, there is nothing about which NRA was, or is, or should be more concerned than minimum wages and limited hours of labor. Yet the protests, largely through political channels, of those who were observing neither wages, nor hours, nor prices, were as cordially received as were the complaints of the righteous; and the lumber industry a year ago was called in to further public rehearsing, ironically enough, to defend its right to impose upon itself minimum wages which, at the same time, were being

assailed within the NRA as too low, and attacked by politicians and by "oppressed" industry complainants as too high.

Appearing then as a member of the Code Authority in public support of the Lumber and Timber Products Code, I frankly stated a number of its practical code policy problems. Some of these in retrospect are, I think, as pertinent now as then:

The Lumber Code is oppressive. Both the Administrator and the industry ought frankly to admit that fact. It was purposely devised to obtain the maximum pay roll contribution which the industry could stand without the further unrestrained disintegration of its capital assets. To hold, therefore, that the Code may not lawfully apply to any enterprise upon which it is oppressive is merely equivalent to a nullification of the Code. . . .

But behind this source of complaint is a much more fundamental fact. It involves a responsibility of the Administration much more than a responsibility of the industry. I refer to the minimum wages themselves as now established under the Code, which in some regions, and in hundreds of mills, are on the average higher than they have ever been in good times or bad. . . .

The bare fact that a minimum of 24 cents represents so vast an increase over previous wage scales shows the extent to which wages, by the forces of destructive competition accentuated by the depression, had been driven to an unspeakable level of sweat-shop wages and sweat-shop prices. No one knows or will ever know whether the wisest move from the standpoint of the industry and from the public standpoint, when the Lumber Code was originally submitted, would have been to have sought a gradual building up of the minimum wage scales throughout the industry; or to have undertaken at the outset boldly to attack the basic sweat-shop wage and sweat-shop price condition. This industry deliberately chose the latter course. . . .

Most of the complaints alleging oppressiveness in the present wages and hours provisions of the Code, and most of the complaints on cost protection prices are a normal product of this Code. They were predicted from the outset. The fact that they have come largely through political avenues adds to their difficulty but does not change their economic significance. They come largely from the enterprises desperately hard-pressed by provisions of the Code. . . . But that does not change the problem or the facts.

The assertions also that prices have much increased in the past year are not debated. The facts speak for themselves. But those are not the most important facts. The increases in the past eight months have enabled the industry to recover a substantial portion of the ground lost in the past five years. But even yet it has not been able to restore its former price relationship with its principal competing materials. The so-called "cost-protection-minimum prices" published by the Lumber Code Authority do not in fact recover the costs of production except in the case of a comparatively small fraction of the mills most advantageously located. They do for most mills now operating cover direct outlay of working capital and hence preserve their wage-funds. In few cases do they represent a recovery of total costs including a fair current value of standing timber used. The most difficult problem now is to sustain these cost protection prices in fact as well as in form. . . .

Mr. Administrator, this is a bold social and industrial experiment almost without parallel and I point out that these minimum wages, higher than any previous average in good times or bad, were the deliberate act of the Administration. It is primarily the Administration's responsibility, not the industry's, to sustain the minimum wages, in the Lumber Code. They are admittedly oppressive of the industry. But this industry is not to be expected to oppose, and it will not oppose, the Administration if the Administra-



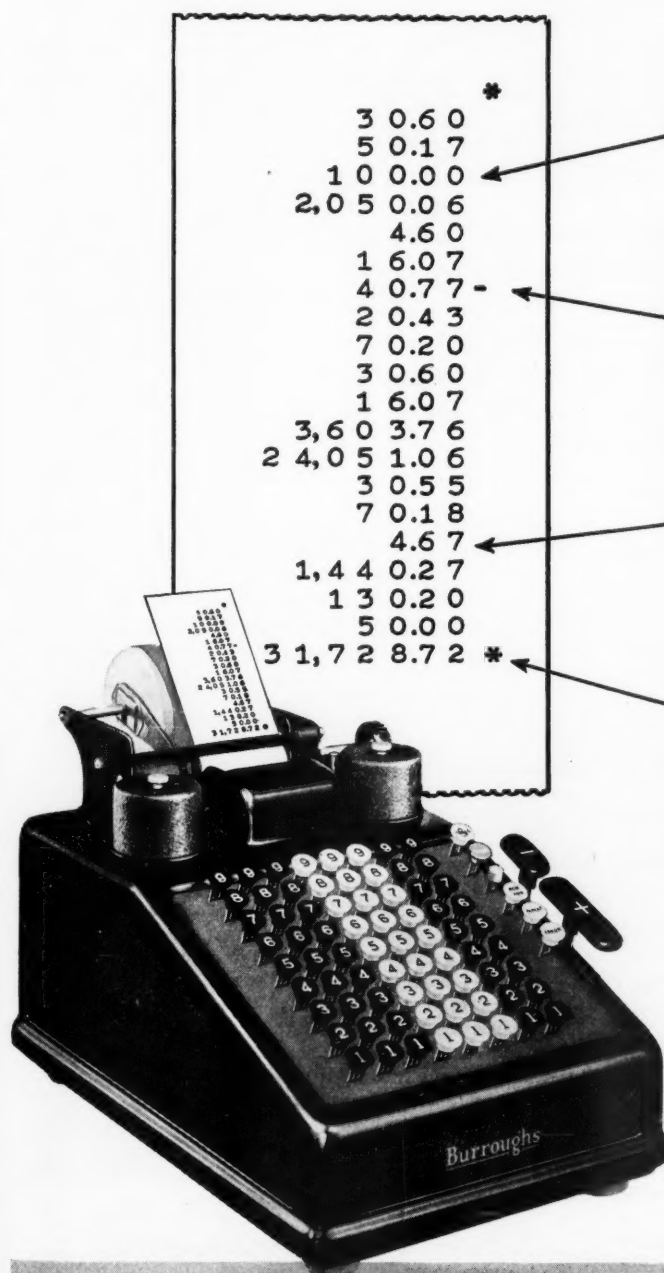
CHAPIN BOWEN, INC.

**THOUSANDS** of lumber mills discovered, or thought they discovered, that they could beat the minimum prices and still make a profit, or at least get in more cash than they were paying out. They opened thousands of new mills in an industry already overcapacitated



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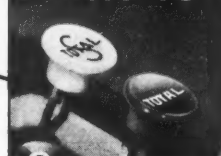
To subtract, simply touch the subtract bar. This makes subtraction as fast and easy as addition.

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tion wishes to continue no further its cooperation with this bold adventure of a great industry to lift itself for once and for all from the mire of sweat-shop wage and price competition. . . .

By the time—after the code had been in force nearly a year—enforcement activity by NRA and the Department of Justice became well-organized, vigorous and dependable, it faced bitter opposition of original recalcitrants within the industry, vastly reinforced by numbers of original willing and hopeful compliants with the code who had been, as they variably expressed it, “disappointed,” “disillusioned,” or “disgusted,” especially at the uneven compliance with and only sporadic enforcement of cost protection prices and the growing violations in some areas of even wages and hours.

If in the beginning there was a probability, as some believe, that minimum prices could have been maintained, the backing, filling and eternal delays, if not intentional procrastination, of responsible public authority, did at least throw away for the industry any advantages of strategic position.

I say this frankly but not unkindly and I hope not inconsiderately. I was myself a volunteer member of the NRA under-officialdom and I know the immensity of its self-imposed task without adequate chart or compass of supervising the administration of these great undertakings in industrial recovery and control. Aware alike of its strengths and its weaknesses, and of the ruthlessness of many of its acts—or failures to act—I am nevertheless of the opinion that, in the national net, the NRA has done a good job and will do a better one.

Its greatest faults as I see them were that it expected too much and hence promised too much; that it knew too much about the faults of competition under the stresses of prolonged depression and too little of the extent to which organized industrial self-discipline—with much public blessing but little active public cooperation—could withstand them; and that it undertook, in behalf of great industries and millions of their employees, vast responsibilities for code administration long before the facilities of industry and Government combined were even reasonably adequate to the task of policing and enforcing the codes.

That condition had the effect in many unwieldy industries, such as lumber and timber products, of subverting intended rules of fair competition into new and fertile opportunities for unfair competition. But that stage is passed. I say it is “passed” because now the agencies of code enforcement are more adequate; because soon the courts will have defined the limits of enforceability; and because I know and have faith in the ability, the spirit and the purpose of the members of the National Industrial Recovery Board, its policy advisers and its deputies immediately in charge of the Lumber Code.

We have so far had success with some features of the Lumber Code. Although all are not living up to the minimum wages, the average minimum paid is much higher and is much more uniform between competitors



CANADIAN NATIONAL RAILWAYS

**WE have had success with some features of the Lumber Code. Although all are not living up to the minimum wage clause, the average minimum paid is much higher and much more uniform between competitors than before the adoption of the Code**

than before the adoption of the code. Present-day realism, if it had been in popular vogue in NRA, and within the industry itself, during the summer of 1933, would have first fixed somewhat lower minimum wages, encouraged and facilitated increases thereafter, and thus brought code law within ear-shot of locally supported custom. The observance of maximum hours, both daily and weekly, has been as good as could reasonably have been expected.

But if prices and production have worried bosses, hours have “riled” labor. Spreading work is a noble idea, but the coincident dilution of the weekly pay envelope is not so utopian, especially in an industry starved for business and operating at one-third of capacity. Nevertheless we have increased the number of employees by more than 130,000.

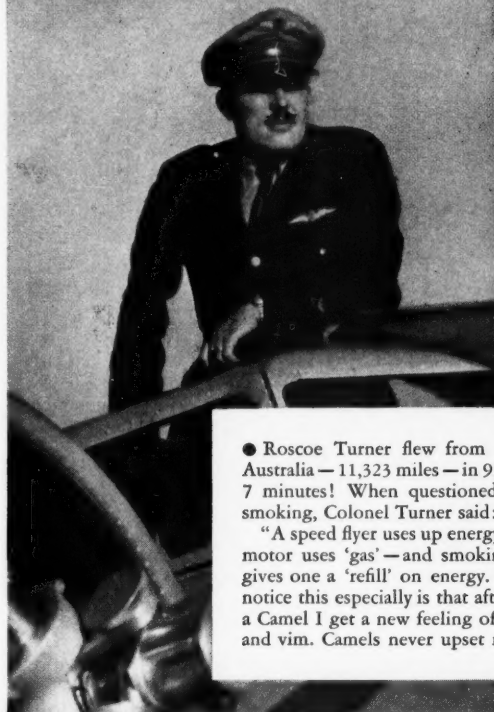
The regulation of production has worked reasonably well but not well enough. The industry will have to rely on it more heavily now that minimum prices prohibiting sales below cost have been suspended. From the first it has made the mistake of too generous production quotas. We have, during the past year and a half, lawfully, and in an orderly manner, produced more lumber than provident judgment warranted. This was the result I think of overoptimism as to the rapidity of recovery, tinctured, until recently at least, with a loyal ambition to support NRA and the Government with the largest possible employments and pay rolls. The principle of control of production is not to blame for this mistake. The principle itself is sound in an industry of this kind, until the more natural permanent forms of production control through sustained-yield forest management units can gradually be substituted for it. Unless it is continued and observed in practice, the code, although its purpose may be socially constructive, will be destructive of the operating industry and its employments. The unwieldy and widely scattered forest industries must be enabled to adjust production to demand or else, as in the past, they will go on wasting an important natural resource, with little, if any, benefit to their proprietors and eventual general economic and community injury. As a natural resource industry, lumber was accorded an opportunity for protection against competition below cost, which has now been denied; and production control, which it must sustain.

#### Forests have been better preserved

WE were happy and sanguine a year ago about the probable incidence of industrial self-government under the code upon forest regeneration. The practical, realistic lumbermen and the idealistic “brain-trusters” of forestry had amiably and frankly agreed upon measures

(Continued on page 62)

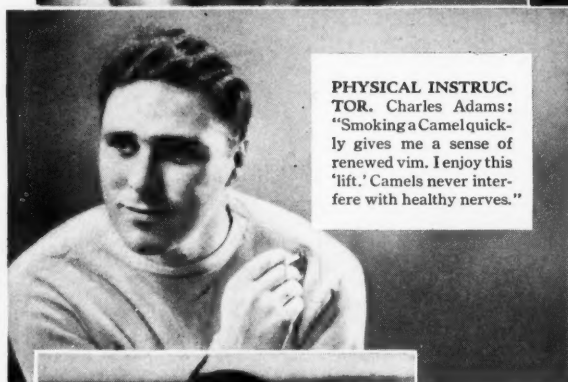
TO WARD OFF  
FATIGUE . . .



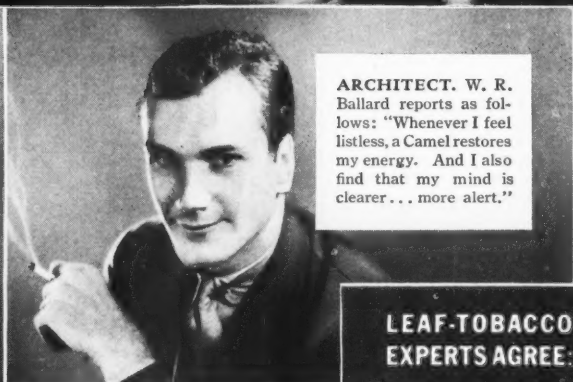
● Roscoe Turner flew from London to Australia — 11,323 miles — in 93 hours and 7 minutes! When questioned about his smoking, Colonel Turner said:

"A speed flyer uses up energy just as his motor uses 'gas' — and smoking a Camel gives one a 'refill' on energy. The way I notice this especially is that after smoking a Camel I get a new feeling of well-being and vim. Camels never upset my nerves."

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**PHYSICAL INSTRUCTOR.** Charles Adams:  
"Smoking a Camel quickly gives me a sense of renewed vim. I enjoy this 'lift.' Camels never interfere with healthy nerves."



**ARCHITECT.** W. R. Ballard reports as follows: "Whenever I feel listless, a Camel restores my energy. And I also find that my mind is clearer . . . more alert."



**MRS. LANGDON POST**, young society leader: "When tired, I find that smoking a Camel gives me a 'lift,' and I feel fresher afterwards."

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WALTER O'KEEFE

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<b>THURSDAY</b>	9:00 P. M. E. S. T. 8:00 P. M. C. S. T.	9:30 P. M. M. S. T. 8:30 P. M. P. S. T.

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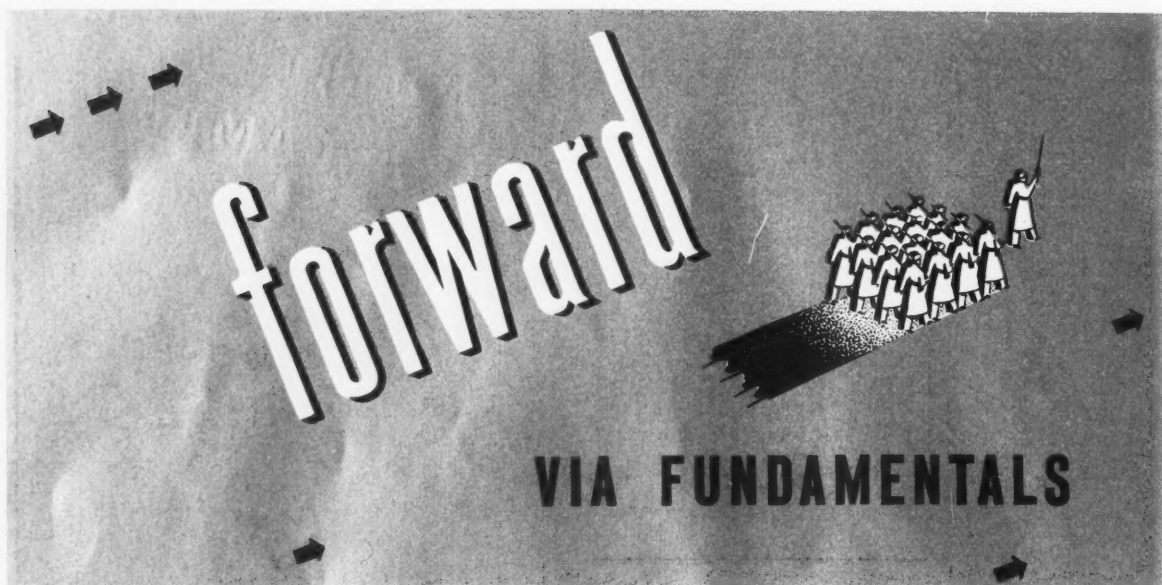
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Tobacco Company





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**W**E believe American industry is ready for another forward surge.

It is probable that more technical progress has been made during the depression than in any other equal period of time. We are ready, as never before, to move forward together.

We believe the real impetus will first be felt when each industry avails itself of all the help which all other industries now have to offer. We are equally sure that this help can come only through a stripping away of side-issues, and a clear understanding of fundamentals.

Speaking for Aluminum Company of America; what we are really selling is solutions to problems.

Every industry has basic problems of weight, of durability, and of resistance to corrosion. And it so happens that nature put into the metal, Aluminum, certain characteristics which are the natural solution to many of these problems.

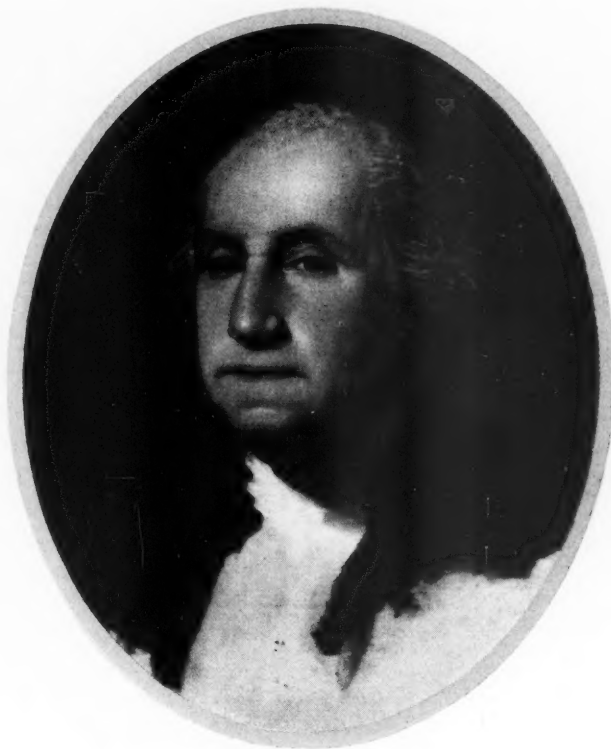
So, since 1888, when Aluminum sold for \$8 a pound, we have devoted our

energies and our resources to three basic objectives: to make Aluminum lower in price; to make Aluminum stronger; and, chief of all, to show industry how to use it to the best advantage.

Because our emphasis has always been on methods of utilization, and because the results of our research in this direction have been made widely available, there has grown up in this country a great industry of individual fabricators of Aluminum. They represent sources of supply from which can be obtained most of the forms and shapes of metal needed.

Some industries are already using Aluminum almost to the full. Many others are just beginning to appreciate its possibilities. A few have yet to discover the economic benefits of this modern metal that is so light and yet so strong.

The time has come, we believe, for all industry to make a fresh start, via fundamentals. ALUMINUM COMPANY OF AMERICA, PITTSBURGH.



### THREE FAMOUS ANNIVERSARIES

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**CHESAPEAKE and OHIO**  
*Lines*  
*Original Predecessor Company Founded by George Washington in 1785*

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THE TYPE on this page is easy to read today because 500 and more years ago the Court of the Prince of Burgundy was fabulously lavish in its display of jewels and furs, velvets and precious metals.

To the painter Hubert Van Eyck, this display was a challenge to find colors capable of reproducing the splendor of what he saw on canvas.

Calling on his young brother Jan, who was also a painter, he began his search for such colors, and after years of experiment discovered a method of preparing linseed oil to serve as a foundation for paint. This discovery became the basic formula from which were evolved both oil paints and printing inks.

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# Let's Have a Sane Sales Tax

By C. O. SHERRILL

Former City Manager, Cincinnati



**"EVERY state having a sales tax today is losing thousands of dollars because of inefficient enforcement while retailers are also losing because they must pay more to the state than they collect from the public"**

**I**N the past four years, many state and local treasuries have felt the pinch of poverty. Demands for relief and other emergency expenditures have increased rapidly while revenues have correspondingly fallen off. Real property which normally provides the bulk of taxes has, since 1929, decreased in importance as an available source of revenue. Tax strikes and defaults have led to growing deficits and imperilled public credit.

In the frantic search for revenue to meet necessary governmental expenses, every conceivable source has been combed. What is needed is a method of taxation having a broad base, a sure result and an equitable burden on every one. In 24 states the sales tax, in some form, has been adopted as meeting these requirements. Unfortunately all these taxes have been developed independently of each other. Rates are not uniform, the classes of property and services subject to the tax are not coordinated and, above all, methods of enforcement

are not uniform—or practical.

In some states the rate is as low as one half of one per cent, with no possible means for retailers to pass on the tax to consumers; in others the rate is three per cent, with mandatory or optional provisions for passing on the tax. Adjacent states, which should have fairly equivalent rates, have generally paid little attention to this important feature.

In West Virginia, for example, under the so-called two per cent sales tax law, the tax on a six cent can of beans is  $16\frac{2}{3}$  per cent. In the adjoining state of Kentucky, the tax on the same article, under a three per cent sales tax, is zero because Kentucky makes no levy on sales of less than ten cents.

In Illinois, you can buy four cans of the same beans and pay no tax although the state sales tax levy is two per cent, while in Michigan you can buy two cans without tax but, if you buy three cans, you must pay a penny tax.

Moreover, legislators and govern-

ment executives have apparently failed to recognize the fact that this, like all other taxes, must be paid by the consumer.

Efforts have been made to force retailers to pay the tax without passing it on. Since most retailers operate at a net profit of considerably less than these sales taxes, this is obviously out of the question. For instance, there is hardly a grocery chain in the United States which makes a net profit of more than two per cent on its gross sales. Naturally such organizations could not absorb a three per cent tax, but efforts to make them do it have led to some unbelievable conditions in the wording of these laws and in their enforcement.

## A simple plan is needed

If legislators will only realize that this tax is a just, reasonable burden on all consumers and then set it up on this basis, with a simple, mandatory method of passing it on to the public, they will have discovered one of the simplest, fairest and easiest methods of obtaining adequate taxes ever devised.

No state has yet adopted such a method. As a result, every state having a sales tax law today is losing hundreds of thousands of dollars in taxes because of faulty regulations and inefficient enforcement. Retailers in these states, who pay in full, are also losing heavily because they must pay more to the state than they can collect from the public.

In Illinois, this loss to honest retailers is estimated at 30 per cent of the total tax paid. In Michigan, one large company is forced to supplement its tax collections with more than \$265,000 a year to make up the correct percentage on its gross sales. A recent investigation in this state shows that three of the largest retailers in a certain field pay 50 per cent of the total taxes collected in their line, although they do only 25 per cent of the business. This seems to indicate that competitors are taking advantage of the fact that there

is no single mandatory method of collection.

Although the retailer is taxed three per cent on his gross sales, neither the law nor the regulations tell him how he is to collect this amount from the customer. Most of the merchants have an informal agreement to collect no tax on purchases of less than 17 cents. Between 17 and 49 cents they collect one cent.

### A tin box for accounting

THE usual method of collection is to place a tin box at each register in the store. Pennies are supposed to be dropped into this box as the customer pays his bill but the collection usually totals from 15 to 20 per cent less than the tax which must be paid. Honest retailers make up the difference. Their dishonest competitors simply forget how much tax they owe.

The natural conclusion from this might be that the public benefits to the same extent as these firms are penalized, but such is not the case. The non-taxpaying retailer is the real beneficiary at the expense of the honest retailer, and the consumer. In Pennsylvania, in the six months that a sales tax was in effect, the state treasury reported that 60 per cent of the retailers who should have paid the tax failed to do so, and that 30 per cent of the taxes that should have been paid were not collected. In Kentucky, approximately one-fourth of the tax that was estimated as being available, is not being collected for the same reason—non-enforcement.

With experience covering 12 states, I believe that under a correctly drawn, well-enforced sales tax law, almost 100 per cent compliance can be had, with the least possible burden on the retailers and taxpayers.

The public will pay the sales tax without a murmur when it is collected honestly and exactly in accordance with the prescribed percentage rate and yet, since every person must pay at least a small tax, the public will be tax-conscious and will more carefully check governmental expenses to avoid waste. Moreover, the expense of collecting will be reduced from a quarter to a half of the present cost, the states will collect millions of dollars that they are now losing and the collecting agents, the retailers, will no longer have to pay these taxes out of their own pockets.

These desirable results can be obtained by setting up a tax on a three per cent rate, mandatorily passed on to the consumer; providing the principal enforcing features in the law

and authorizing the proper state commission to issue regulations and collect these taxes. The three per cent rate is chosen because experience shows that the low percentage rates such as that in Missouri—one half of one per cent—or in Indiana—one per cent—are costly to the consumer, ruinous to the retailer and unjust to all, whereas the reasonably higher rates, with uniform, mandatory pass-on provisions are fair, great revenue producers and work no great hardship on anyone.

To find out the things that should and should not be placed in the law and should and should not be done in the way of enforcement, it is only necessary to examine some of the typical state sales tax laws.

The principal methods heretofore followed for collecting sales taxes are:

1. By brackets.
2. By markup.
3. By optional markup or bracket.
4. By the stamp method.

To illustrate these methods, the procedure followed in North Carolina, West Virginia, Michigan, Illinois and Kentucky will be explained.

With any of these methods of collection much difficulty has been experienced in arriving at a simple, equitable and legal plan that will collect the exact sum required by the law from every retailer and at the same time will be easily and fairly applied, both from the point of view of the seller and the purchaser.

Under the bracket method, small purchases up to a certain amount are arbitrarily exempted from tax. Also the percentage rate varies for every purchase made. This method is used in North Carolina, West Virginia, Michigan and Kentucky:

In North Carolina the brackets are:

- 1 to 9c—no tax
- 10 to 35c—1c tax
- 36 to 70c—2c tax
- 71 to 1.05—3c tax
- 1.06 and up—scaled accordingly.

In Michigan the brackets are:

- 1 to 16c—no tax
- 17 to 49c—1c tax
- 50 to 83c—2c tax
- 84 to 1.16—3c tax
- 1.17 and up—scaled accordingly.

In West Virginia the brackets are:

- 1 to 5c—no tax
- 6 to 50c—1c tax
- 51 to 1.00—2c tax
- 1.01 to 1.50—3c tax
- 1.51 and up—scaled accordingly.

In Kentucky the brackets are:

- 1 to 9c—no tax
- 10 to 35c—1c tax
- 36 to 70c—2c tax
- 71 to 1.09—3c tax

In all these and similar cases of enforcement through brackets, the results are unsatisfactory. In some

states more tax is collected from purchasers than the law requires or the state receives. In addition, the purchaser naturally resents paying a one cent tax on a six cent sale, as in West Virginia, or on a ten cent sale as Kentucky. In West Virginia this particular tax on a six cent purchase is at the very high rate of 16½ per cent, and unreasonably high on all small purchases.

### Bracket collections cut receipts

IN MICHIGAN, much less is collected in taxes from consumers than the law requires. In Illinois, one large company collects from the purchaser 30 per cent less than it pays to the state. Where accurate records are not kept, as is the case with many merchants, the state loses a large part of the taxes collected. In all these cases, the tax is unfair to the consumer because it is not collected at the uniform rate fixed by law.

Experience has proven that all bracket methods allow dishonest merchants to hold back large sums because of the impossibility of checking the gross receipts of every store in the state, and thus the honest merchant and the public are penalized.

Under the mark-up system, the tax is not set out separately and the merchant tries to mark up his merchandise sufficiently to recover the tax from the purchaser. This has proven a complete failure.

Every merchant has a different idea about the articles on which his markup should be made and the tendency is to increase the markup beyond the actual tax required in an effort to be sure to collect enough. This is hard on the purchaser. The state, on the other hand, does not collect all the taxes due because of the impossibility of checking the accounts of all the stores.

The seriousness of the situation in Indiana is indicated by the fact that the merchants there are making a determined effort to replace the one per cent gross receipts tax with a flat three per cent consumers sales tax, mandatorily passed on.

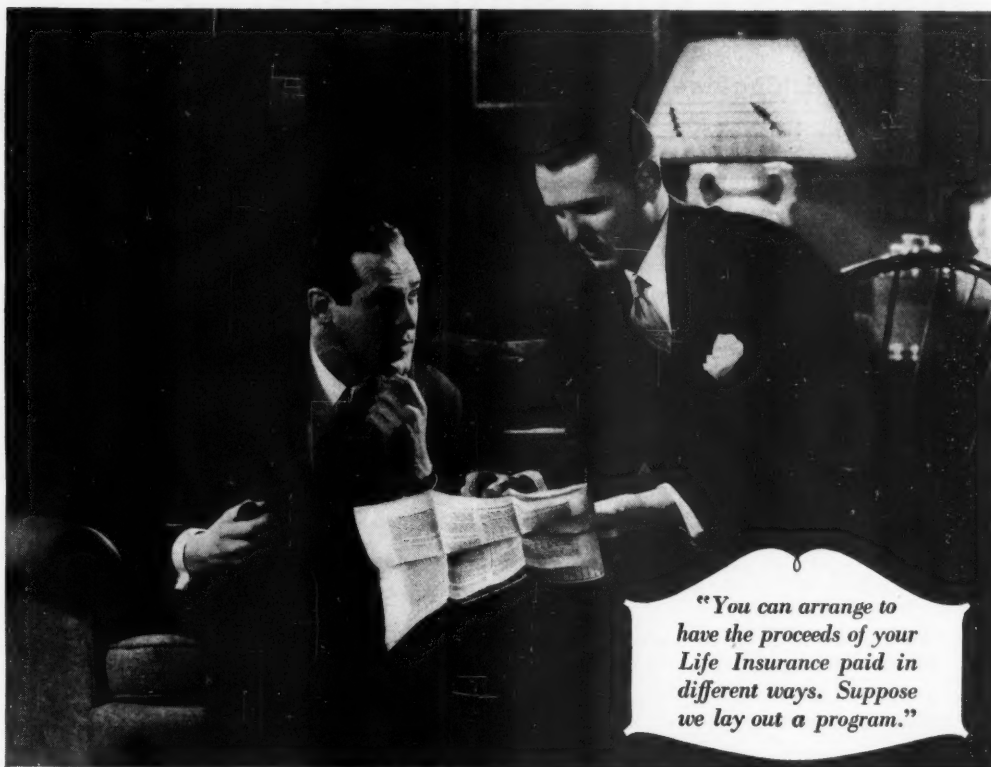
The optional markup or bracket method allows the merchant to adopt any plan he sees fit to recover the tax. The result is confusion worse confounded. Some merchants use brackets of various kinds, others use the markup plan. In Illinois, the more commonly used brackets are:

- 1 to 25c—no tax
- 26 to 75c—1c tax
- 76 to 1.25—2c tax
- 1.26 to 1.75—3c tax
- 1.76 and up—scaled accordingly.

The merchants in this state, under the sponsorship of the state Cham-

(Continued on page 64)

## Program Your Life Insurance in a Practical Way



*"You can arrange to have the proceeds of your Life Insurance paid in different ways. Suppose we lay out a program."*

**W**HEN you bought your life insurance you had the satisfaction of knowing that your family would have money—if anything happened to you. BUT have you arranged for the payment of this money to your family in the most effective and practical way?

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Plan to finance the obligations of your family through a Life Insurance Program. It can be rearranged as your conditions change. You and your family will have added security because you have planned definitely what you want your life insurance to do.

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# No Business Can Escape Change

**Not even the fishing-line business—  
as witness the innovation in lines  
described in the lines below**

Concentrated milk, produced by a simple new process, is being sold in bottles, "fresh" every day, by one distributor. When diluted with half water, it's said to compare favorably with fresh bottled milk in cream line, solids, flavor. . . .

Portable hand devices by which the housewife can convert butter and milk into cream (light, medium or heavy, according to the proportions used) are now offered. . . .

Complete meals can be prepared at the table with a new portable electric range which plugs into any outlet. It has two outside burners which fold flush against the sides of the insulated oven, is 18½ inches high, 15¼ long, 13 wide. . . .

A new cabinet sink unit has the sink mounted directly on the cabinet, eliminating wall-hanging of the sink. The unit has a floor-sealed base, compartments and drawers for utensils. . . .

To the ladies: New non-breakable nursing bottles go gay—blue for boys, pink for girls; hosiery darning's facilitated by a card holding 125 yards of yarn in ten shades; a new kitchen rack of household papers proffers rolls of four kinds—waxed, cooking parchment, garbage and toweling. . . .

Natural sponges are now available in pastel shades, to match bathroom color schemes. . . .

Wound dressings can be kept clean and white through a new waterproof adhesive tape. Its backing is washable. . . .

Now offered for household use, a new noninflammable cleaning fluid is said to evaporate perfectly, leave no odor. Grease, oil, tar, gum, even fresh paint are said to be removed by it. . . .

A more sightly residence bell and buzzer system is provided by a new call panel which conceals wires and signals beneath decorative surface or flush-type coverings. . . .

A new flooring has a resilient, insulated base and a linoleum or rubber top-covering. It's said to be soft under foot, moisture resistant. . . .

Modernizing of old lighting equipment is made easy by a new line of indirect light fixtures (of spun aluminum) which are installed simply by screwing them into the old light socket. . . .

Guessing and testing that usually attend the locating of blown fuses are eliminated by a new fuse which displays the letters OK when in good condition, NG after it's blown. . . .

Longer wear is claimed for a new washer for hot or cold water faucets. It's made of mineral-treated wood. . . .

Protection for lawns, flower beds is afforded by a new sectional steel guard. Units are one yard long, snap together to form a rail enclosure supported by folding stakes. . . .

Driven by compressed air, a new seven-pound machine for wet or dry sanding carries the abrasive paper on an oscillating, fully flexible pad which permits sanding, finishing of curved surfaces. . . .

Simplicity, ease of handling, light weight, lack of "kick" are said to characterize a new electric tie tamper for railroad use. It is operated by a light, portable power plant. . . .

Interior temperatures of plastic materials can be determined with a new pyrometer. Its thermocouple is housed in a hollow, stainless steel needle which is thrust into the material. . . .

A new delayed-control, automatic rewind combination lock for



**Narrow mullions, sash members and frames distinguish a new aluminum, weight-hung window. Sash, frame and weights are built into one unit, glazed and ready for quick installation**

safes, vaults, automatically relocks if the safe is not opened within three minutes after the delay period elapses. . . .

Motor oil's delivered to autos like gasoline—visibly metered and via hose—by a new dispenser. It vends four brands or grades from original sealed containers, is air operated. . . .

Another new piece of filling-station equipment tests the motorist's crankcase oil before his eyes, shows its viscosity (S. A. E. number), dirt content, and color as compared with new. . . .

A new protective coating is described as acid and alkali resistant, tasteless, odorless, non-toxic. It's said to form a hard, tenacious film, homogeneous and flexible. . . .

Bakers are offered a new icing machine which permits one man to ice a whole pan of sweet rolls, coffee cakes, etc., instantly. It's said to give uniform application, economize on icing. . . .

California sardines, with heads, tails and bellies cut off, are being packed upright in the can, like asparagus, by one packer. They're cooked in the can, in their own oil. . . .

Cellophane is now being metallized. Made by depositing metallic particles on the sheet, it can be laminated on fabrics or used in split yarn form, is said to be non-tarnishing. . . .

A new shaving brush folds down into a molded plastic handle-base. Since the brush hangs downward when not in use, the bristles drain, don't rot. It's recommended for travel use. . . .

Fishermen are offered new casting, trolling lines which show length of casts, amount of line left on reel. The lines are made in colors—a different hue every five yards. . . .

—PAUL H. HAYWARD

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.

## RECOVERY REPORTS ON AMERICAN BUSINESS

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# Points of View

## A round-up in which New Dealers, Old Dealers, Professors and Business Men set forth some current states of mind

### Donald Richberg Presents the Case for Risk in Business

MAY I say with all due respect that I read with surprise and disbelief a statement of your board of directors that commitments would be undertaken "only if business men believe that it will be safe and profitable to operate."

My mind slipped back over the history of a few thousand years of trade and commerce—over the stories of traders who dared the perils of the sea in little sailing vessels, and who explored strange, dangerous lands; the adventurers who risked life and fortune to win wealth, to open up new avenues of commerce and new fields of trade.

Coming down to more modern times I thought of the pioneers of America who blazed trails through the wilderness, laid railroads across the continent, built cities around new industries and spent their energies and their money in finding and developing the natural resources of the nation.

Within the span of my lifetime I could remember billions of dollars and millions of lives which were ventured in new enterprises, in exploiting new inventions, that gave us electric light and power, telephones, airplanes, radios, motion pictures.

And so, with all due respect, I beg to disagree with any assertion that business stagnates except when it is safe and profitable to operate.

On the contrary, I dare to assert that risk and adventure attract the only men who have any claim to greatness, or any right to leadership, in any line of human endeavor.

Socialists, who idealize the protection of a paternal government, may scorn my desire to see some elements of "rugged individualism" survive the degenerating influences of a machine-made civilization. But, unless the business men of America have been shell-shocked into nervous impotence, there must come a time when they will respond to the fighting spirit of that old admiral who signaled:

"Damn the torpedoes. Go ahead!"

*An address before the Congress of American Industry in New York*

### Alfred P. Sloan, President of General Motors,

#### Hails the Passing of Regimentation

TODAY the magic possibilities of industrial regimentation and the so-called planned economy no longer cast the spell of yesterday—that spell is broken. That is the most important thing that has happened.

Men are becoming increasingly aware that the strongest instrumentality of revival and reconstruction is the existing system of free enterprise.

In the development of that belief we are not turning to the Left nor to the Right. We are going forward; we

are simply recognizing the only road we can possibly follow.

The real problem is how much and in what way can the system of free enterprise, which has made America what it is today, be stimulated and how, at the same time, can the recognized errors and deficiencies be compensated, thus bringing all into a harmonious whole?

*From an address before the Illinois Manufacturers Association*

### An ex-Budget Maker Calls for a Balanced Budget

IF spending is not conducive to recovery, then the only other alternative is to adopt the policy of not spending. That means a policy of balancing the budget.

A balanced budget is not only an act designed to protect a currency internally; it is not only an act of defense, it is more than that. It is a powerful weapon against a depression. First of all it gives absolute security to the currency. Thus it develops an atmosphere of confidence. . . .

Which is the more cruel, which is more inhuman, which entails the greatest destruction of individual self-respect—to continue a policy which must inevitably, just as sure as the night follows the day, plunge 125,000,000 people into the destructive effects of a collapsed currency or to pursue a policy, difficult, to be sure—but there is no easy way out of trouble—a policy predicated upon sacrifice, hard work, which prevents destitution and yet which saves 125,000,000 people from a ghastly social and economic calamity?

What appears at first blush and without thought to be the most human course is more frequently than otherwise the most destructive of human values.

*From the address of Lewis A. Douglas before the Economic Club of New York*

### When Economics and Social Good Conflict

THERE is no doubt that a genuine boom could be produced by an observance of economic factors alone. But it is fairly clear that this economic soundness might require for a time wages so low as to be socially intolerable.

*Raymond Moley, editor and friend of the President, at the Industrial Congress*

### An Admission that Division of Wealth

#### Isn't the Answer

MANY persons feel that the problem of more abundant living would be solved if we had more uniform distribution of income. Certain facts appear to support this view. In 1929, the 36,000 richest families received as much income as the 11,000,000 poorest families. The lower 60 per cent of the families in 1929 received only



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Your automatic sprinkler is the best fire protection you can have—if it is in operating condition.

But... someone closes a valve... water level falls... air pressure drops... water supply freezes... Then where is your protection when fire comes?

It's no fault of the sprinkler. Someone—some human being—blundered, failed, forgot. To depend on the human element in the maintenance of your sprinkler is to gamble with CHANCE...

It's a gamble you can't afford to take and don't need to take. A.D.T. Automatic Supervision eliminates CHANCE—protects your protection against the hazard of human failure.

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*The effectiveness of A. D. T. Central Station Service in protecting your property and safeguarding the continuity of your business is proved by its record. During the past five years, A. D. T. protected properties, representing values of more than 20 billion dollars, had a 99.94/100% immunity from burglary loss, 99.96/100% immunity from fire loss.*

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AGAINST FIRE, BURGLARY AND HOLDUP**

# ADT

one quarter of the total income, while the upper one per cent received almost one quarter.

If it were possible to average these two groups directly, the income of millions of families would be greatly increased.

The problem cannot be solved as simply as that, however.

It takes machinery and equipment to produce goods for consumption. A large part of the income of the higher income groups is invested, and so used for the creation of such capital.

The Brookings figures indicate, for example, that one third of the income of the families with incomes of more than \$2,500 goes for savings—that is to say, capital formation; while two thirds is spent for consumption. In the very wealthy families, as much as half or two thirds of the income is saved. Even if some system were worked out for more equal incomes, it would be necessary to continue to divert a considerable part of our annual production to the creation of capital. The extent to which a diversion of income from those now enjoying large incomes to those of smaller incomes would improve the whole economic picture is, therefore, much more limited than is generally recognized.

*Mordcai Ezekiel, Economic Adviser  
to the Secretary of Agriculture, before the  
National Council of Teachers of English*

### Liberty Rather Than Equality

FOR a very long time, liberty was our aspiration and I cannot help thinking that in the long run individuals will be both happier and of a higher order, and that the common welfare will be better served, if liberty remains the great ideal.

Perhaps it is a bit old-fashioned to be so difficult to reconcile to equality as an ideal, but I do find it very difficult. When I try to construct for myself a society in which equality has triumphed over liberty, I find it difficult to imagine its atmosphere elevated or inspiring. It seems to me that it necessarily suppresses the highest impulses and the finest sacrifices which in the past have purified and strengthened the race.

It is for such reasons that I am concerned at the evidences which seem to show that as individuals we are becoming less self-reliant; that we are willing to surrender the adventure of striving, and are willing to be content to accept, as the best we can get, a sort of secure equality in a State which does all our planning and thinking and providing for us.

The pioneer spirit must needs be adapted to changing conditions. We could not permit Daniel Boone the free use of his long-range rifle in the crowded streets of a great city, but we ought not to destroy that spirit. Indeed we were in a fair way of modifying it, and much that we called the triumph of modern civilization is the fruit of that spirit in successive transformations.

For my part, I am not able to imagine what equalitarianism has to substitute for it, and I cannot help praying that life may continue an adventure full of charm and novelty, with wide spiritual spaces for the minds and hearts of the valiant, and room beyond all horizons for imagination and aspiration.

*Newton D. Baker  
in the Atlantic*

### Relief Administrator Hopkins Attacks

AMONG other things we have done in this depression is to permit about 100,000 college students in the United States who could not afford to go to college to earn somewhere between \$10 and \$15 a month so that they could go to college. I notice a couple of these overly-endowed

aristocratic institutions say that is a terrible thing to do. . . . I have no apologies to make to overendowed private institutions that do not know what to do with their money.

Of course, I am not an educator and I should not be saying these things—talking about things that I do not know anything about.

But you find in this field the same thing that you find in all other fields—the aristocrats of wealth who claim that they have certain privileges that the rest of us shall not have.

Well, let them hang on to it up there in New England as long as they want.

*From an address to the  
Presidents of Land Grant Colleges*

### The President of Williams Retorts

THERE is no college in the country where the poor boy is more welcome or gets a better break. . . .

Place any man behind a governmental desk and give him a few million dollars of government money to spend and he is likely to develop the fixation that any one who does not approve of the way he does his job is a public enemy.

Williams College is still proud of the fact that it is not taking government money. If there is any professor here who approves of the New Deal he is perfectly free to say so, but if he does not approve of it, he, at least, does not have the embarrassment of knowing that when he teaches that FERA economics are bad he is arguing against his own salary.

*From a public statement*

### The Head of TVA Sums up the New Thinking

THE profit system was a great achievement. An intricate fabric of incentives and restraints, developed by long experience, it has by law and custom tamed wild nature and harnessed the actual selfish motives of men to make them serve the common good.

But the profit system now often thwarts a better order. Even with all the restraints society has imposed upon it—each at first bitterly resented—the profit system still assumes that men may put private good before the general good. Greed often mars productive effort, yet maintains respectability as part of the accepted economic system.

With selfishness as its motive, the profit system never was free from exploitation.

If big business is controlled by a few, ruling self-interest is the interest of a few, and the profit system for big business becomes less tenable. Business and the profit system are not identical. Business often is motivated by social responsibility, and must increasingly control and sublimate self-interest.

*Arthur E. Morgan,  
in Antioch Notes*

### The Secretary of Agriculture Inquires if the Protestant Conscience is Any Longer Needed

ONE of the tremendous unseen, but very real powers in the United States is the Protestant conscience. From its beginning in the Sixteenth Century, the Protestant conscience has placed grave responsibility on the individual. It was the individual's first concern to make peace with his God. It was the individual's second concern to worship God by regular labor, frugal living and careful saving. The third concern was to provide for schooling and democratic institutions in the faith that the children,

# "SIDEWALL FAILURES ARE A THING OF THE PAST WITH US"

GEORGE PETERS  
Driver for John Benkart and Sons Company, Pittsburgh, Pa.

## NEW TRUCK TIRE IS TRIPLE PROTECTED!

"Sidewall failures are a thing of the past with us since we have been using those new Triple Protected tires," says George Peters, one of the drivers who helps pile up three-quarters of a million miles annually for John Benkart and Sons Company of Pittsburgh.

"The boss told me we are now averaging almost 50,000 miles per tire on our tractor-trailer units. One reason we get that mileage is that we don't

have any more sidewall breaks."

That's just the reason why Goodrich built Triple Protection into every new Silvertown. Goodrich knew that the sidewall was the "Failure Zone" of all truck tires.

So Goodrich did what had never been done before—built a tire with a combination of three safety features guarding against blow-outs—road delays—and big repair bills.

In no other tire will you find this amazing invention:

**1 PLYFLEX**—a new, tough, sturdy rubber material with greater resistance to stretch. A layer of Plyflex in the sidewall prevents ply separation—distributes stresses—checks local weakness.

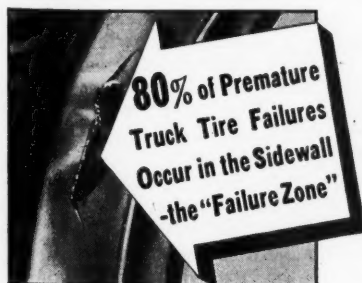
**2 PLY-LOCK**—the new Goodrich way of locking the plies about the bead. Anchoring them in place. Positive protection against the short plies tearing loose above the bead.

**3 100% FULL-FLOATING CORD**—Each cord is surrounded by rubber. With ordinary cross-woven fabric, when the cords touch each other, they rub—get hot—break. In Silvertowns, there are no cross cords. No friction.

It's just plain common sense to insist on this protection when you buy truck tires!

**THIS COSTLY INVENTION  
COSTS YOU NOTHING**

See your Goodrich truck tire dealer. Ask him to show you the tire that is making tire history. And remember—Triple Protection costs you *not a dime extra!*



# Goodrich *Triple Protected* Silvertowns

SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES



# There is never



# an overproduction

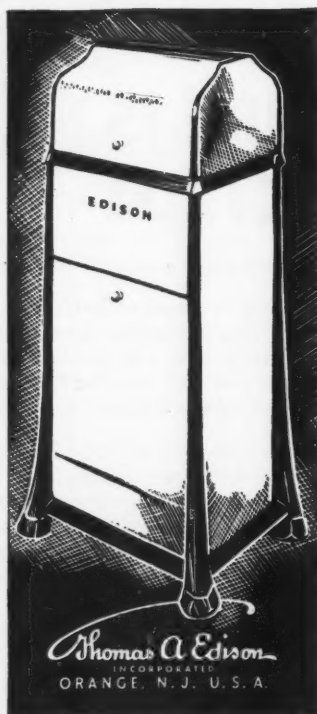
# of brain-power!

> Too much rain — and it's drained off.  
Too much cotton — and it's plowed under. Too  
much pork — and pigs are killed.

> But — there  
is never an overproduction of brain-power!  
Brains make for progress and prosperity.  
There are two ways to increase brain-  
power:—1. to employ additional brains,  
which is usually expensive; 2. to make the  
brains you have worth more.

> Edison makes it  
easy for you to increase the value of the  
brains you already have—with Ediphone  
Voice Writing! With Pro-technic Ediphone  
equipment there is no time-eating, expen-  
sive waiting for secretarial service. At any  
hour, and on any day, dictators turn to  
their Pro-technic Ediphones, as easily as  
telephoning. They think once...write once  
...at once—and accomplish more. Brain-  
power increases — and profits, too!

> TELEPHONE THE EDIPHONE, YOUR  
CITY. Without obligation, an Edison man will  
call, and show you how Voice Writing can in-  
crease the brain-power in your organization.



*Pro-technic*  
**Ediphone**

THE COMPLETELY ENCLOSED DICTATING MACHINE

better educated than their parents, would reach a higher station in life. . . .

Several generations of hard work and frugal saving produced a capital surplus which was thrown into the rapid exploitation of huge natural resources and ingenious inventions. As a result, thousands of families only six or seven generations removed from the Pilgrim Fathers suddenly found themselves in positions of unusual wealth, power and influence. Suddenly raised above their past and above their fellows they perhaps behaved with a little greater discretion and charity than families of similar power and wealth in previous civilizations. But it was not enough.

The individualistic Protestant background of most of the new industrial leaders was excellent training for competitive expansion, for the accumulation of huge stores of capital, and for the donating of vast sums of money to educational institutions, missionary enterprises and hospitals. But, unfortunately, the Protestant individualism of the Nineteenth Century was not sufficient to provide effective insight into the social problems of a world which had suddenly become filled up and drawn together.

The children of many of the wealthy Protestants began to display an amazing inability to behave themselves decently—let alone shoulder responsibility or understand the trend of the times. By 1929 it almost seemed as though Protestantism were approaching mental and social bankruptcy. The hard times of the 'thirties have to some extent revived it. The original Protestant doctrine gave an enormous capacity to the individual to live economically, endure hardship and work hard. . . .

The experience of the past 100 years would indicate that there is no better equipment for material success in life than the training of a devout Protestant or Orthodox Jewish family. As long as there was a Frontier to be conquered, such training produced a truly social result.

But now that the Frontier is passed and the United States has suddenly become a creditor nation and larger segments of our national economic life have fallen under the control of the corporate form of organization, it becomes increasingly doubtful if the spiritual attitude of the Protestants of today can do for their children and grandchildren that which was done for this generation by our fathers and grandfathers.

*Henry A. Wallace to the World Alliance  
for International Friendship  
Through the Churches*

## The Tangle of Federal Housing

(Continued from page 24)

for letting of contracts. Contracts were also ready to let on six additional projects. Actual expenditures of the Division to December 22 totalled \$4,961,062, covering among other things purchase of 44,086 acres of land. Eighty-six families were actually settled in these completed homes and 100 more were living on homesteads while working to complete their houses.

By so working homesteaders earn part of the cost of their \$2,000 to \$4,000 homes. They pay off the balance, at three per cent interest, over 30 years. Monthly payments for the average \$3,000 homestead thus run around \$12.65. What our thrifty low-incomeers think of this proposition is attested by the many applications for each available homestead. Successful applicants must be neither too well off nor yet too poverty stricken, must have some experience in farming and pass a dozen other tests. Preliminary sifting and investigating are done by the local project directors; Washington compiles the final list of the chosen people.

### Rehabilitating farm families

SOMEWHAT akin to the subsistence homesteads project is the third phase of the Hopkins-Ickes program, the nine-month-old Rural Rehabilitation Division of Administrator Hopkins' Federal Emergency Relief Administration. Its projects fall into two classes. First is rehabilitation of families on individual farms in their home communities, involving repair and remodelling of existing houses. Second are the government-built rural-industrial communities in which families are concentrated from other points and which involve new construction.

Both are supposed to be self-liquidating over a term of years. Several thousand homes have been rebuilt or repaired through the first endeavor, relief labor being used wherever possible. Of the rural-industrial communities, one had been completed, as of December 15, and occupied by 100 families, chosen from local relief rolls. It is at Woodlake, Texas, and cost between \$250,000 and \$300,000. Another, in Mississippi County, Ark., had 139 of an ultimate 700 houses completed and occupied. A third, at Red House, W. Va., had 153 houses practically completed as the year ended. Fifty other such communities had been tentatively ap-

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quicker, cheaper,  
more complete  
figures

THE Comptometer line of adding-calculating machines maintains its front-rank position in the field of accounting as high-speed equipment for all figure work.

Those qualities which distinguish Comptometer performance — mechanical precision; sound construction; Controlled-Key safeguard against operating errors, and other automatic safety controls — are available in units suitable for every kind of figure work.

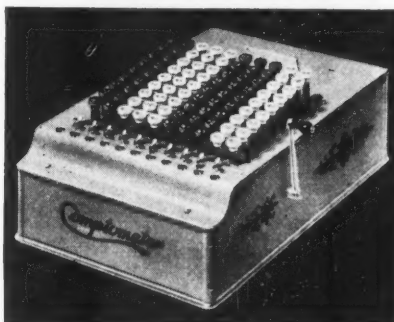
The variety of machines available offers a suitable model for economical production of each class of work.

A Comptometer representative will be glad to discuss the line with you, and recommend the machines most suitable to your own particular needs. A telephone call or letter to any Comptometer office—or to the address below — will bring you further information.

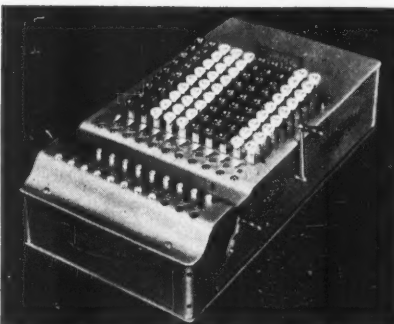
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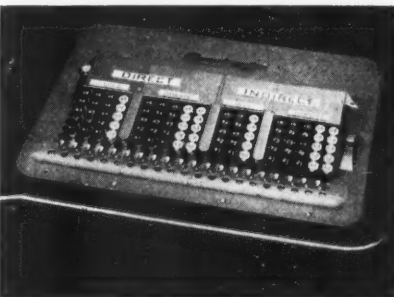
ELECTRIC MODEL K COMPTOMETER—Among powered machines of its type, it has no superior.



STANDARD MODEL J COMPTOMETER—High-speed, dependable machine for all figure work.



SUPERTOTALIZER COMPTOMETER—Regular Model J—with dual register for extending sub-totals to grand total.



20-COLUMN DESK UNIT COMPTOMETER—Especially designed for sales distribution and general statistical work.

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**ONE** Detex model registers one station.

**ANOTHER** Detex Watchman's Clock registers up to 100 in complete numerals, and can go on from there, if needed.

**IN BETWEEN** are other clocks of varying capacities . . .

**ONE CLOCK** and 10 to 12 stations is the system most often installed.

Whatever your requirement, you will find it met by a Detex Model . . . made by a company that has built watchmen's clocks exclusively for 60 years and has 50,000 systems now in use . . . any desired information on request.

Detex Watchmen's Clocks are approved by the Underwriters' Laboratories, Inc., and by Factory Mutuals Laboratory.

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NB-2

WATCHMEN'S CLOCKS

NEWMAN ★ ECO ★ ALERT ★ PATROL

proved, with purchase of land approved for ten of the number.

The plan anticipates that industries will be set up in these communities, preferably by private operators, to supply supplemental income to the settlers. "Work centers" are now under way in the communities which are intended to supply entering wedges for such enterprises and meanwhile to allow the "rehabilitants" to make some of their own necessities.

### Construction by relief labor

**COST** of dwellings in these communities is put at \$1,500 to \$1,700 each. They are being built directly by relief labor, whereas many of the Interior Department's subsistence homesteads have been built under contract. Both because of the extremely low cost of the FERA dwellings and their direct construction by relief labor, many think that, as an experiment, Interior's Subsistence Homesteads Division is proceeding along sounder lines and producing better-built homes than FERA's Rural Rehabilitation Division.

So much for the theory, progress and status of the Hopkins-Ickes attack on housing.

The Moffett attack, the second major front on which the Government is grappling with the problem, is proceeding along fundamentally different lines. While yielding nothing to the Hopkins-Ickes school so far as its views on the social desirability of more adequate housing are concerned, the Moffett school believes that this goal can and should be achieved through encouraging private enterprise rather than through direct federal action. Such a course, it believes, will more surely bring about those concomitants of revived residential construction, increased employment and national economic recovery.

It is pursuing these ends, under the National Housing Act and through the Federal Housing Administration, in three ways. First, under Title I of the Act, is the home modernization program, a temporary plan which was launched August 1 and will carry through the current year. Through minimum interest rates and 3,798 locally organized Better Housing Campaigns, home owners have been encouraged to borrow from their local lending agencies to finance modernization and repairs. These local lenders, in turn, have been encouraged to grant such loans by a federal insurance plan. No premiums are charged for insuring these modernization loans. Loans are repayable, for the most part, in monthly sums which, as in the Hop-

kins-Ickes mortgage-loans, include interest and part of the principal.

By January 1, according to FHA, 11,936 financial institutions had qualified to make modernization loans under this program. Reports from 3,997 of these institutions showed 72,658 loans, totalling \$30,-450,583, actually made, all this "at relatively insignificant expense" to the Government.

The second phase of the Moffett attack is proceeding under Title II of the Housing Act. A permanent plan, it seeks to encourage private financing of residential construction and also refinancing of existing mortgages through mutually insured mortgage loans which may range up to 80 per cent of the value of the property.

As in the case of the insured modernization loans, the insurance fund is federally administered, but this fund is provided through premiums paid by borrowers rather than through federal underwriting. These mutually insured mortgages are amortized, regular payments discharging both interest and principal in about 20 years.

This Title II phase was launched November 1. By January 1, 779 financial institutions had been authorized to make such mortgage loans.

A further aid to this phase of the Moffett program is expected to be given shortly through regulations providing for the setting up of national mortgage associations. These associations, it is planned, will be authorized to deal in the mutually insured mortgages and to sell mortgage notes to the public.

### Mortgages may be insured

**THE** third phase of the Moffett program provides for insuring mortgages on low-cost housing projects (presumably rental) carried out through restricted-dividend corporations or municipal housing authorities. Amount of equity investment of such groups must be at least equivalent to the value of the land, and in addition they must have cash working capital of not less than three per cent of the total cost of the projects they undertake.

Houses to be located in neighborhoods protected by proper deed restrictions and well-drawn, strictly enforced zoning regulations will receive the most favorable consideration for these insured mortgage loans. Thus this phase of the Moffett program is deemed by many superior to the Hopkins-Ickes program in its community aspects, for it stimulates more effective community planning by initiative of local citizens.

Now a word or two as to the two



earlier federal activities connected with housing, the Federal Home Loan Bank system and the Home Owners Loan Corporation. The first is a permanent organization, headed by Chairman John H. Fahey. It was created in July, 1932, to assist home mortgage institutions. It functions in this field much as the Federal Reserve system functions in commercial banking. As of January 1, according to Mr. Fahey, the system had a membership of 3,087 building and loan associations, mutual savings banks and similar institutions.

"These member institutions," he said, "hold practically half of the entire \$7,000,000,000 of home mortgage resources of all the 10,000 or more building and loan associations in the United States."

#### Loans for distressed owners

THE Home Owners Loan Corporation is also headed by Chairman Fahey but, unlike the Home Loan Bank system, it is an emergency organization. It was set up June 13, 1933, and was given funds totalling \$2,200,000,000 with which to relieve distressed home owners by refinancing their existing mortgages on easier terms. These terms usually provided amortization over 15 years at five per cent. The Corporation's funds were practically exhausted by January 1 and unless Congress supplies more, as some demand, its future will be that of a mortgage holder and collector.

While complete figures are not yet available, the extent of that job can be gauged by the fact that, as of December 27, it had refinanced mortgages and liens on 721,962 homes, through loans averaging \$3,025 and totalling \$2,184,060,497.

It should be added that, like the private mortgage holders it displaced, HOLC is having its collection troubles. In early December Chairman Fahey stated that these delinquencies were "less than 20 per cent of the amount due" but he also went on with a warning to delinquents which touched on what many observers have cited as an inherent danger in direct federal financing of mortgages and homes. He said:

Apparently . . . some few of the Corporation's borrowers are under the mistaken impression that the Corporation intends to be unduly lenient, even to the extent of permitting them to maintain their homes without payment of interest or principal upon their loans. . . . The Corporation . . . will not permit mortgagors to take unfair advantage of the generosity of the Government, which has rendered them a great service.

This tendency of some of the growing number of householders who owe mortgages directly to various gov-

A traveler barely escaped from a hotel fire—leaving clothes, baggage, car—everything to the flames. He was 1500 miles from home—in a strange town.

#### *What could he do?*



His clothes and baggage were insured under a worldwide personal effects policy and his car under a comprehensive automobile policy, both in the Hartford Fire Insurance Company—which with the Hartford Accident and Indemnity Company has agents practically everywhere. He reported his loss to the nearest Hartford agent, whose

name and address he ascertained by calling the nearest Western Union office. The agent cooperated with him as though the policy had been written in his own office. The loss was settled with no undue delay—everything smoothly and efficiently handled. This traveler's experience taught him that a vital factor of insurance protection is swift, intelligent claim service wherever the crisis may arise. The availability of competent claim service anywhere throughout the United States and Canada adds greatly to the desirability of Hartford policies, backed as they are by ample financial strength. (The Policyholders' Surplus is over \$40,000,000).

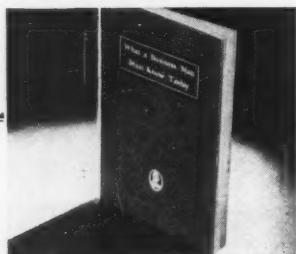
There is a Hartford representative near you wherever you are, whose name and address can be had by simply calling "Western Union". The Hartford agent will help you if you are in trouble.

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To such men this book is free. It explains also the Institute's up-to-date Course and Service for men who want to become independent in the next five years. Among the contributors to this course are: ALFRED P. SLOAN, JR. (General Motors), BRUCE BARTON (Advertising), C. M. CHESTER (General Foods Corporation), M. H. AYLESWORTH (National Broadcasting), and dozens more. Who could fail to get something of value from contact with minds like these?

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ernment housing agencies to "take unfair advantage of the Government" may eventually express itself, some observers fear, in a formidable bloc able to enforce such advantage at the expense of taxpayers in general.

Reviewing our rapid summary of these principal federal housing agencies—we have taken no account of several less important ones, or of federal farm loan (and hence of farm home) agencies, or of a number of other government bureaus which impinge upon housing at some point—it will be seen that they exhibit both overlappings in practice and conflicts in theory. Only one consistent thread, the idea of amortized mortgages, is discernible, and even here terms and rates vary.

#### Overlap and conflict

HOPKINS' rural-industrial communities in a measure overlap Ickes' subsistence homesteads; Ickes' now-abandoned limited-dividend corporations and his direct-built, low-cost rental projects lie in much the same field as Moffett's projected restricted-dividend corporations; refinancing of existing mortgages under Moffett's FHA enters, on a permanent basis, the field of Fahey's Home Owners Loan Corporation; Fahey's, Ickes', Hopkins' organizations are all active or potential mortgage lenders, holders and collectors, and Moffett's national mortgage associations will add to the mortgage discounting facilities now offered by regional banks in the Home Loan Bank system.

This confusing maze of mushrooming agencies and activities traces back, in part at least, to conflicts in theory which were brought into sharp focus by the recent flare-up between Secretary Ickes and Administrator Moffett.

Each stood by his guns—Ickes for direct federal building, financed by three per cent government money; Moffett for federal encouragement of private construction privately financed—until a truce was brought about at the White House.

This was merely a truce, however; the fundamental difference as to whether the Government or private enterprise will build and finance homes—and it simmers down to that—still remains.

Proponents of the Moffett school see private residential construction and the home mortgage investment structure, now showing signs of revived animation, sharply endangered by the direct federal construction program. Particularly do they see this in the government-owned apartments now rising in slum areas of

nine cities, with more to come. They deny the Hopkins-Ickes argument that these are in a non-competitive field and assert that these apartments perforce will be rented to income groups considerably above slum dwellers.

Thus, it is asserted, they will tend to empty existing privately owned apartments and discourage construction of new ones. A similar effect on private dwelling-house construction and tenantry is seen as flowing in varying degree from the Hopkins-Ickes group's other federal house-building activities.

What can be done to clarify the tangled aims and policies, to bring some semblance of planning into the housing plans? In the words of the Construction and Civic Development Department of the United States Chamber of Commerce, "what is needed is a sharp delimitation of the Government's social activities in the field of housing (slum clearance, homesteads for families on relief, etc.) which will assure private capital and private enterprise that these social and demonstration activities in housing will not interfere with their activities."

Add government competition to the other brakes now holding back private residential construction—the lag of income behind labor and material costs, to name one of the most important—and such stimulating factors as rising rents and lowered interest rates may well be offset, proponents of the Moffett school assert.

They argue that the start which private residential construction has made from its 1933 low (\$312,390,000 as against 1934's \$324,126,000, according to one estimate) toward its more than \$2,000,000,000 normal annual volume holds too many implications for recovery and all that the word connotes to be thus endangered.

### Australian Bonds

IN THE September NATION'S BUSINESS, in an article discussing labor relations in Australia, the statement was mistakenly made that the Commonwealth of Australia passed a dividend on its bonds.

The fact is that, at the worst of the depression, every state of Australia, except New South Wales, agreed upon a policy of strict retrenchment and thus saved the credit of the Commonwealth.

In the manuscript the name "Australia" was inadvertently substituted for that of New South Wales and the error was not detected either by the writer or by other persons who were familiar with all the facts of the Australian situation.

## The Red Necktie As a Selling Force

(Continued from page 28)

comes into our organization, the most experienced salesman is likely to cool down if he doesn't make a sale for a month or six weeks.

"He begins to doubt whether he is in the right line, and as soon as he starts to think in this direction he loses confidence in himself, and is consequently through.

"On the other hand, we find that men who come to us from fields far removed from selling usually carry on in a satisfactory way if they can close a sale within the first couple of weeks, making perhaps around \$100 commission. After all, the sale is the bug with the contagious bite that leads to the spirit and aggressiveness productive of further sales.

"A good product, adequate advertising and a satisfactory market are necessary to the success of a national manufacturer distributing direct to consumers, but after that it takes 'salesmanship' to sell. We all know that the general and his staff, the quartermaster's corps and the artillery are required, but the backbone of every army is the infantry.

"So it is with the manufacturing organization. Behind the lines there must be a good product, adequate finance, efficient management and ample advertising, but after all, the boys out in front—the salesmen—constitute the backbone of the organization.

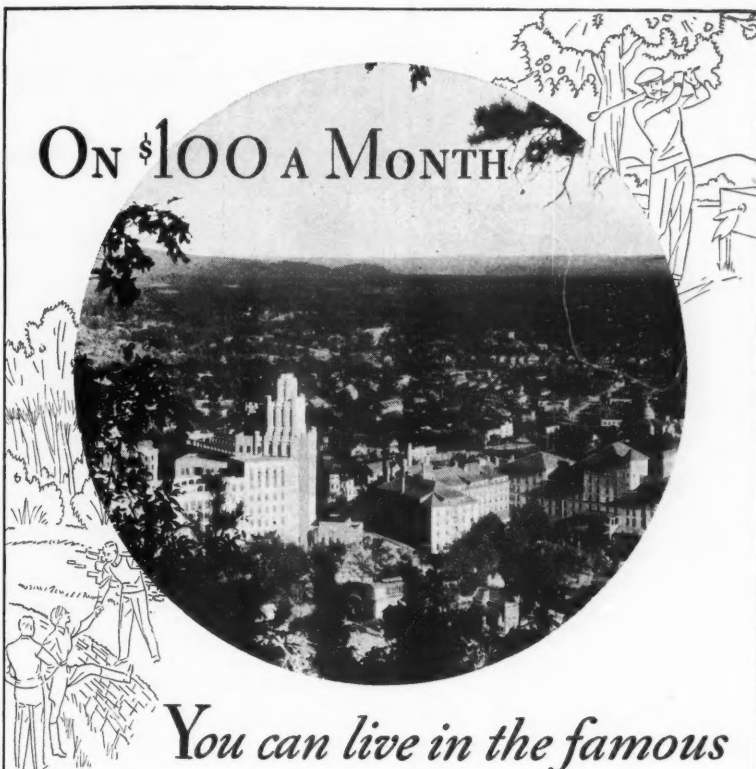
"This year, in collaboration with a nationally known correspondence school, we prepared and made available a complete ten-week training course in selling our equipment. The results of this training have been very gratifying.

"Everything must be done to help the salesman help himself. Every effort must be made by both factory and dealer to help the salesman succeed—by training, by tried and proven sales procedure, and by actually getting out and helping him make his first sale. The salesman must be worked with and encouraged.

"Briefly, the five commands we give to our front line forces are:

1. Learn the business thoroughly because 'knowledge is power.'
2. Follow our selling plan which has proven so successful over many years of practical use.
3. Be optimistic and enthusiastic. There is nothing so contagious as enthusiasm. No one likes a gloom peddler.
4. Work hard and effectively. Plan your work and work your plan.
5. Use 'more salesmanship,' which is equivalent to saying, in view of the more solid marketing required today, love your work, and wear a red necktie."

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## You can live in the famous HOT SPRINGS *Region*

● Of the many attractive localities, where it is possible to live on \$100 a month, Hot Springs, Ark., has a special appeal. By the time you are ready to retire from active work, its famous hot spring baths might prove a great boon to you physically.

Here in a land of scenic beauty—a favorite playground of the American people—and where there's just enough cold weather to make it welcome—you could have a cozy home, and live comfortably on a very moderate income.

That's the kind of life you can lead, when you're ready to retire. Whether it's Hot Springs, or another of the nation's wonder spots—

or perhaps your own home town—it would be possible to live comfortably on \$100 a month. And what a great satisfaction it is to know that at 55, or later, you can have that income, or more, for the rest of your life! That's what you can do if you own Northwestern Mutual retirement insurance.

Decide now that you will have a worry-proof income for your less productive years... a sure, dependable check every month from one of America's oldest, strongest life insurance companies. Mail us the coupon below for the booklet—"EARNED LEISURE." Play safe with your future!



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*The assets of the Northwestern Mutual, as reported to state insurance departments, now total a billion dollars—a great estate administered for the mutual welfare and protection of more than 600,000 policyholders.*



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## New Ideas in Selling

Offering news and views from several sectors of the current sales front

**Is Auto Row passing?** Rapid spread of the "neighborhood service" plan in metropolitan automobile retailing, first noted in this column last March, is threatening the old-time "automobile row" and its selling methods in a number of cities. Indications are that the conventional sales set-up of a showroom on the "row"—salesmen with demonstrating cars, a repair shop and some follow-up work on prospects and owners—is in for a change.

High cost and decreasing effectiveness of downtown showrooms, the latter attributable in part to would-be visitors' difficulties in finding parking space, have hastened this trend toward decentralization.

These new neighborhood service and sales stations are, of course, merely a transplanted glorification of the old small-town combination agency, repair shop and filling station. They fall into three rough classifications. A number of dealers, where space permits, are adding service stations to their present establishments. At such stations accessories and small repair jobs are also handled, bigger jobs being sent over to the main building. Another "feeder" type is that located at a distance from the main showroom, offering gas, grease, oil and minor repairs and having one or two new and a few used cars on display. The third is the complete neighborhood station, with shop, equipped to handle any type of job and display space for several cars. It is generally the dealer's main place of business, and is located with a careful eye to the sales and service potentialities of the particular neighborhood.

Thorough canvass brings neighborhood car owners to these stations for supplies and service. The small but attractive display rooms are located to give the visitors views of both cars and accessories.

Car salesmen gain contacts at the pump, when the prospect is in the mood and has time to talk automobiles. One Detroit dealer's sales of 289 cars in less than three months testify to the efficacy of the new approach.

Detroit, San Francisco and New York reportedly lead in the number of recently installed stations of the neighborhood type. Car manufacturers are said to be encouraging their establishment, and gasoline, tire and equipment suppliers are finding new sales outlets through them.

**Decline of price-fixing.** The tide is setting against price-fixing, whether by codes or otherwise. Price-fixing, it is being discovered, doesn't work. The discovery comes as a surprise to some of the new-day economists. It is neither discovery nor surprise to those of the older school nor, in all modesty, to our own constant readers.

These columns have often stated that ancient truth, but perhaps no more pointedly than in Herbert Corey's article "Law-Fixed Prices Won't Stay

Fixed." That was in September, 1930. It's worth rereading, in light of later experience.

The swing against price-fixing, markedly manifest in the cancellation of certain code provisions to that end, is evidenced in other quarters. Perhaps the most notable instance is the Federal Trade Commission's recent complaint against the Bristol-Myers Company (Sal Hepatica, Ipana Toothpaste, Mum, Vitalis, etc.) involving that company's "refusal-to-sell" policy.

The case assumes importance since more than 100 other drug manufacturers have been attempting stabilization or price maintenance (euphonious terms for price-fixing) through similar policies.

With out-and-out price-fixing barred by the Sherman Law (since suspended in part by the National Industrial Recovery Act) these manufacturers have striven for the same end by indirection. This was through selling only to those retailers who conformed to the manufacturer's policies, these policies including his desires as to resale price of his products.

Legal warrant for such policies was seen in Supreme Court decisions in the case of Colgate and Company (1919) and the Beechnut Company (1922). The first affirmed a manufacturer's right "freely to exercise his own independent discretion as to parties with whom he will deal"; the second affirmed the same principle, but limited the steps by which manufacturers could ascertain the identity of price cutters.

This limitation checked inauguration of "refusal-to-sell" policies until about two years ago when some legal luminary belatedly discovered that in the Colgate decision the Supreme Court had ruled that regular salesmen or special investigators could be legally used in ferreting out the price cutters. Nub of the Bristol-Myers' complaint was the allegation that the company "obtained cooperation of some of its customers in inducing others . . . of its customers . . . to observe the suggested prices."

Manufacturers themselves are said to be divided as to the efficacy of "refusal-to-sell" policies. Some have experienced a temporary loss of volume through the cutting off of outlets, followed by gains when legitimate dealers realized that such policies promised them profits. Some degree of stability is reported to have been achieved through such policies, for the time being at least.

Products formerly sold as "loss leaders" are now yielding profits to many druggists.

Whatever the desirability of stability in this field (if indeed stability is really desirable or, in the long run, actually obtainable) the ultimate decision as to legality of price-fixing through "refusal-to-sell" policies is commanding extraordinary interest not only in the drug but in other fields.

—PAUL H. HAYWARD

# LOCKING WORRY OUT OF THE ENGINE-ROOM

To RUN any business is an effort. To run it, constantly dreading power equipment accidents, imposes heavy and unnecessary responsibilities. Many accidents can be prevented. Diligence, skill, experience can frequently detect trouble before it starts — and protect equipment and profits.

It is "Hartford Steam Boiler's" business to lock worry out of the engine-room and boiler-room, to save policyholders from loss. To lessen the chance of accident, over 350 trained inspectors examine periodically all Hartford-insured equipment. From long experience all over the country they know where to look for trouble — know what to do when they find it.

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Your agent or broker will be glad to discuss the application of Hartford Steam Boiler insurance to your needs.



Hartford Steam Boiler inspector checking an insured engine

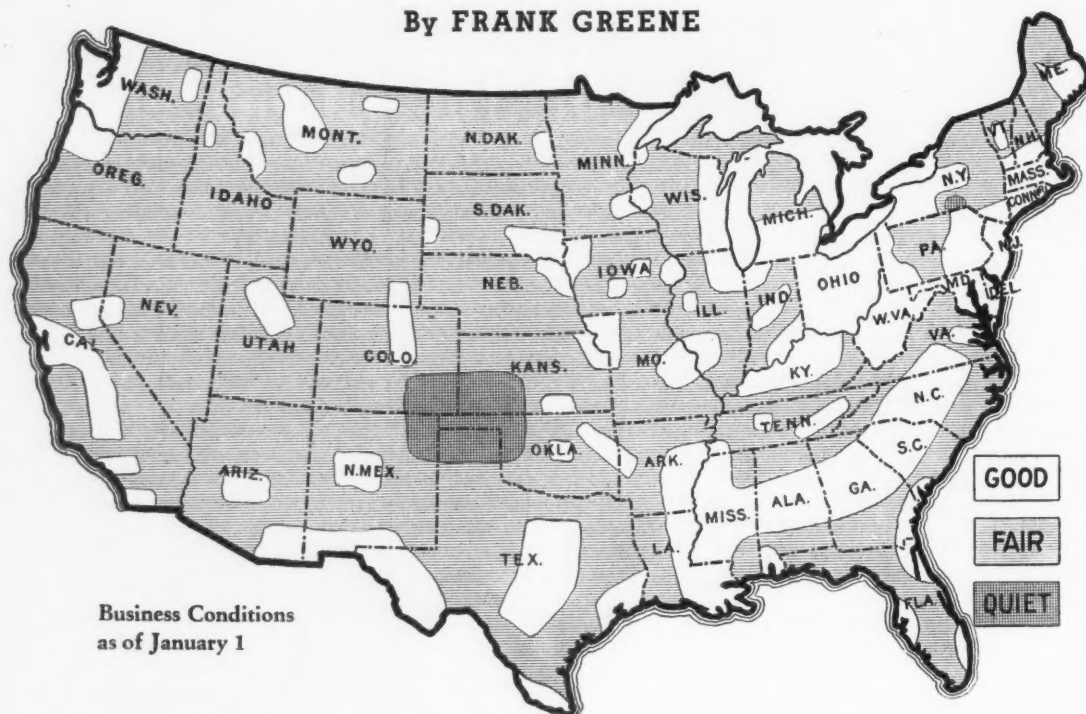
More than half of all boiler and machinery insurance business in the United States is in policies bearing this familiar seal, hall-mark of the largest purely engineering insurance company in the country. 99% of all power boilers built for America's industrial plants bear this other imprint, the Hartford Steam Boiler stamp of approval.

**THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY**

HARTFORD • CONNECTICUT

# The Map of the Nation's Business

By FRANK GREENE

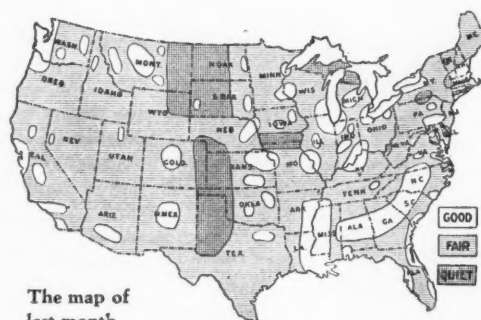


DECEMBER, stimulated by heavy holiday trade, growing steel production, active coal output, large automobile orders and active business in other lines "stepped out" with confidence unequalled since late spring. Textile manufacturing was active after the cotton mill strike ended. Business failures and liabilities were the smallest in 14 years. Savings bank deposits grew.

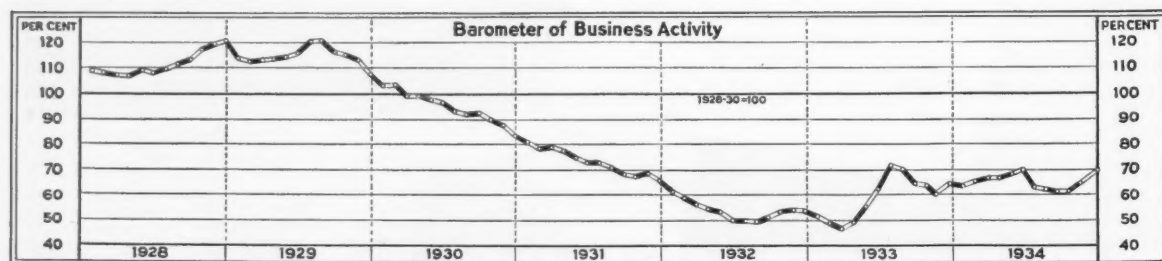
The year 1934 was one of extremes. Drouth reduced most crops to 40 years ago size. Commodity prices rose to a four-year peak in Dun's and Bradstreet's indexes. Farm income rose a billion dollars with predictions of a like rise in 1935. Steel plants announced additions.

The railroads gained in gross though not in net earnings. Passenger earnings made the first gain in a decade. Export trade expanded, mainly in manufactured goods. Steel production exceeded recent years after a hesitating start. Cigarette output reached a new high. Stock market sales were the smallest, but bond sales the largest, in a decade. Retail trade grew throughout the year.

Further improvement in business conditions and an even more decidedly cheerful sentiment are reflected in this month's map



The map of  
last month



BASED ON INFORMATION SUPPLIED BY DUN & BRADSTREET, INC.

The December Barometer about equals the June, 1934, and July, 1933, high points, and on this, the third wave of improvement may reach a new three-year peak





## *Did you ever watch her?*

She must visit 56,000 separate clover blossoms sixty times each to get enough nectar for a single pound of honey . . . and she handles this production problem without waste motion. Your production and maintenance can be handled with like efficiency only when you, too, see every activity in relation to every other activity. Then you can intelligently schedule and get maximum production with the same men and machines.

The latest development in equipment for such control is simplicity itself. A central control board usually located in the production department, automatic service dials located at the various machine stations,

visible annunciators placed at convenient points and the electrical intercommunication of these units are items that comprise the *New Powers Production Control*.

With it, progress records and material requisitions are automatically kept up to the minute at a central point. Choke points are relieved, work is timed for subsequent processing, job chasing and time keepers are eliminated and delivery promises are kept. Your request for further information will bring case histories. Many plants using Powers Production Control paid for it out of savings during the first year. Write today for particulars.

**P O W E R S**  
**ACCOUNTING MACHINES**  
 Buffalo New York

## *OK..it's from Remington Rand*

In addition to Powers Production Control, Remington Rand has recently added another Remote Control system of accounting known as "Central Records." Both use the standard control equipment of the Automatic Electric Company.



**FIVE** to send the coupon; ten to read the simple, clear, untechnical story of life insurance and what it can do for you in our booklet which answers important questions.

You'll find it well worth fifteen minutes of your time. May we send *your* copy?

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N. B. 2-35

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## The "Washington Plan"

RECENT overtures between President Roosevelt and Mayor LaGuardia regarding a public power plant for New York City elicited from Chairman Floyd L. Carlisle of Consolidated Gas Company a proposal to adopt the "Washington Plan" of rate reductions.

### A profit-sharing arrangement

THE Washington Plan is unique. Fundamentally, it presents a workable formula under which consumers and investors both share the benefits of economies. As in all commission regulation, a maximum rate of return upon capital invested in public service is fixed. The "Washington Plan" divides all income exceeding 7.5 per cent on an agreed valuation of the local company's properties. No actual money is returned to consumers, however. The company retains all earned profits each year, but a portion of the excess earnings is applied automatically to a rate reduction.

Assume, for example, that the company had earned \$1,000,000 more than the 7.5 per cent. The Utility Commission immediately establishes new rates under which the expected consumption of electricity during the ensuing year will bring in an income \$500,000 less than that of the year just closed. No court procedure is involved. The outstanding virtue of the

plan is, therefore, that the "law's delay" is entirely avoided.

Soon after its creation in 1913 the Public Utility Commission for the District of Columbia set about placing a valuation upon the power company's properties. In 1917, the Commission ordered the company's rates reduced. When the Power Company sought an injunction, the Supreme Court of the District upheld the Commission's findings. The Court of Appeals, however, reversed the decision and the matter went to the U. S. Supreme Court which, on April 9, 1923, dismissed the appeal and remanded the case to the Court of Appeals.

### Agreement made out of court

FINDING themselves just where they started some seven years before with no prospect of any immediate decision, the Commission and the Power Company undertook to settle their differences out of court. On December 20, 1924, they reached an agreement which was approved by the Court in the decree of Judge Stafford.

Briefly the decree does these things:

1. Determines property valuation.
2. Determines method of setting up depreciation reserves.
3. Determines rate of return upon valuation plus additions.



"Sorry, Mr. Jones is tied up right now"

4. Determines method of applying excess earnings toward rate reductions.
5. Determines disposition of impounded fund.

The original agreement as to rate of return was revised in 1933 so that, at present, one-half of the profits between seven and  $8\frac{1}{4}$  per cent, three-fifths of the profits between  $8\frac{1}{4}$  and nine per cent, and three-fourths of profits over nine per cent are applied to rate reductions.

The plan has been in effect approximately ten years. Each year a fund averaging about \$500,000 has been treated as the consumers' share of earnings, and applied toward rate reductions the next year. Each year the company has made substantial earnings upon the rate base valuation.

These earnings average about 9.5 per cent. The Power Company's energy output has grown nearly three-fold. Rate reductions have been continuous.

Residential customers in Washington formerly used about 450 kilowatt-hours a year for which they paid an average of nearly seven cents per kilowatt-hour.

Today the residential customer pays a rate which averages less than 3.5 cents a kilowatt-hour and his annual consumption has grown to 940 kilowatt-hours.

Public satisfaction with the system is evident. Company management, at first skeptical, is favorable.

The question is frequently asked, "Why has the Washington plan not received wider application?"

#### "Refinements" may hurt the plan

SEVERAL reasons may be suggested; first, attempts to adopt the plan have invariably suffered because the simple rule of the original pattern has not been tried without refinements which usually destroy its value. One of these refinements is to apply all earnings over a fixed return toward rate reductions, thus destroying the cooperative profit-sharing principle and removing the incentive to economies.

Another reason is that the Washington plan is based upon an agreement or determination of the value of property, a large task seldom initiated by operating companies and often approached in trepidation by commissions. A third is the difficulty of establishing a method for handling depreciation of property.

From the business viewpoint one of the most commendable features of the plan is that it works both ways. If the company's earnings should fall below seven per cent, action to increase rates is automatic.—DAVID J. GUY, *Natural Resources Dept., U. S. Chamber.*



## "VELVET TOUCH"

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● Pounding keys is a thing of the past. You roll your hands over the keys of these new Monroe machines with the same Velvet Touch that an organist softly presses the keys of his manual.

This new ease of action, this new speed in operating calculating, listing, and bookkeeping machines show up immediately in lower cost of figuring. Per hour, per day, and per year, you get a greater output of correct business figure work. Small size and portability are other revolutionary features of these new Monroe Machines. Here at last is a desk size bookkeeping machine, light enough to carry from desk to desk.

Monroe was in a unique position to

modernize completely the whole range of business figuring machines. It was a case of adapting to listing and bookkeeping machines the basic principles of simplicity compactness, speed, and flexibility that made the Monroe the standard Adding-Calculator the world over.

Wherever you are, there is a Monroe office near you. A phone call will put one of these New Monroe machines to work on your own figures.

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NATION WIDE  
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# The Conference for Recovery

**L**ACK of confidence is the greatest single obstacle to complete business recovery in the opinion of the 100 business leaders who attended the Joint Business Conference for Economic Recovery recently held at White Sulphur Springs, W. Va. The Conference, called jointly by the U. S. Chamber of Commerce and the National Association of Manufacturers, undertook to isolate the difficulties business has encountered in the path of recovery and to point out means by which they might be overcome.

In its declarations issued at the end of the meeting, the Conference discussed the NIRA, federal finance, relief, unemployment reserves, agriculture and other subjects and declared:

There is ample work to be done to require employment of all labor now idle and the use of all capital that may be available. The accumulating unsatisfied requirements of the American people will test the resourcefulness of our industries for years to come. With this goal so clearly before us, it is inconceivable that a way will not be found to release our halting national energies and bend our efforts to its achievement.

As a fundamental step in this direction, the Conference urged "definite evidence of a determined effort by Congress and the Administration to balance the budget, including both ordinary and emergency expenditures, at the earliest possible date."

### Seeking limits to expenses

IT added: "Budget equilibrium should be attained primarily by limitation of expenditures rather than by increased taxation."

Turning its attention to relief, the Conference declared that "society recognizes that distress should be relieved," and set up certain principles as guides:

Relief is not properly a function of the Federal Government.

All forms of relief should be under local centralized control.

The relation of public works for the purpose of providing relief invites waste and definitely defers a balanced budget.

Employment on useful public construction projects not created primarily for relief purposes should be encouraged that continued idleness be avoided.

As a preventive of future suffering, the Conference urged a thorough and sympathetic study of unemployment reserves with a view to developing the best means of solving this problem but warned that "unsound legislation at this time would prejudice the possibility of securing a satisfactory solution."

As the key to the immediate unemployment problem, the Conference urged stimulation of the construction and other durable goods industries and commended the National Housing Act "which provides for the erection of dwellings with private capital under private initiative and for the establishment of a sound National Mortgage Banking system."

In the field of financing, the Conference emphasized the need of a "standard dollar with a fixed and unvarying gold content," of banks privately owned and managed, of a holiday from banking legislation, and modification of the Securities Act.

In discussing agriculture, the Conference declared that "it is essential that work and investment in agriculture and in industry earn a comparable reward for the same effort and risk." Although warning against "any arbitrary limitation or undue restriction of production, processing or distribution," it did favor a program for removing marginal lands from production.

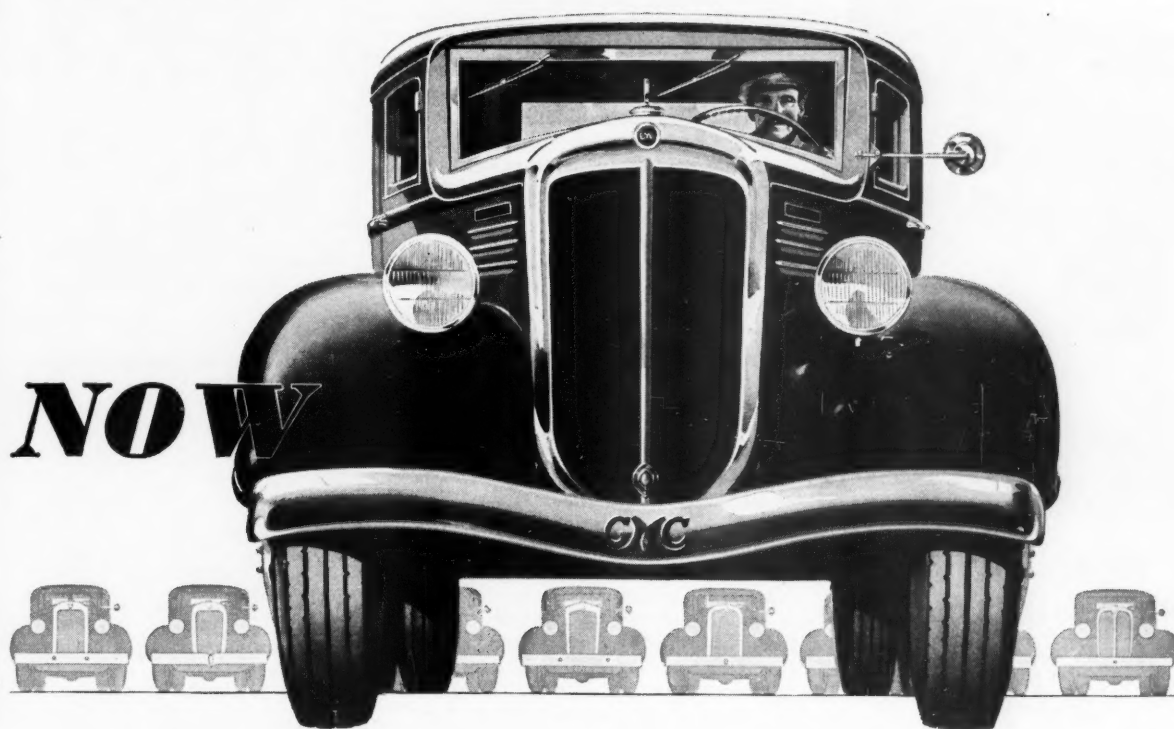
### Recommends new laws

POINTING out that the National Industrial Recovery Act expires June 16 of this year, the Conference recommended "that new emergency legislation be enacted for a period of one year." This legislation, it said, should be administered by an agency of at least five members with authority to approve or disapprove codes of fair competition in or affecting interstate commerce, voluntarily submitted by a representative group of a given industry.

The object of these codes, the Conference declared, should be "to aid in securing competitive conditions fair to producer, distributor and consumer, the restoration of credit and relief from that instability of markets which retards coincident increase in production and consumption." Labor provisions of the codes should assure employees the right to deal with employers either individually or collectively, directly or through representatives of their choice.

This right of free bargaining was reemphasized in the section devoted to employment relations with the added statement that "the Federal Government should not assume or attempt to control local relationships between employees and employers."

Turning to foreign trade, the Conference urged removal of the obstacles to expansion of American dealings abroad which, it said, are essen-



**-out ahead with a wider lead than ever!**

***\* Important 1935 improvements, including  
HYDRAULIC BRAKES, assure better performance and  
greater earnings for GMC truck buyers***

**O**N THE BASIS of comparative specifications or that of work done and profits earned, cold logic on the one hand and actual facts on the other have proved that General Motors Trucks challenge the entire field. Improvements, gradual and unheralded, have won for every unit in the entire line the confidence of an ever-increasing number of shrewd business men who judge truck value by the only sound yardstick, that of "earning ability" per dollar invested.

Now, at the start of 1935, important improvements, such as those listed below, assure still better performance, still greater economy, the ability to out-perform

and the ability to out-earn in a more pronounced way than ever before.

More and more thousands of profit-minded truck buyers are swinging to General Motors Trucks. Even in the intensely competitive low-priced 1½-ton field of usage, shrewd buyers are proving daily that it pays to invest a few dollars more for the quality-built, all-feature 1½-ton to 2-ton GMC T-16.

A phone call to your nearest General Motors branch, distributor or dealer will bring you the bedrock facts. Representative models of the 1935 GMC line are now on display.

**\* NOTEWORTHY 1935 IMPROVEMENTS:**


Hydraulic brakes standard on all light and medium-duty models; centrifuse or cast nickel iron brake drums; exceptionally large braking surfaces; increased fuel economy; increased power; increased torque; dual-performance rear axle available in 2-3 ton range; finer appearance—sloping radiator, skirted fenders, fender-mounted headlamps, drop-skirted cabs, horizontal louvers and optional group of de luxe equipment (at slight extra cost).

## **GENERAL MOTORS TRUCKS and Trailers**

**1½ TO 22 TONS**

**GENERAL MOTORS TRUCK CO.    Time Payments Available Through Our Own Y.M.A.C.    PONTIAC, MICHIGAN**

Fuel bill was \$2700  
Now \$1366  
Yearly saving \$1334



M. F. GAGNER

## IRON FIREMAN cut Gagner's fuel costs

# 49%

### In this unique building

The Gagner Stereotype Foundry in Detroit offers a real test for a heating plant. The building is 26 times as long as it is wide—800 feet by 30 feet. The structure lies east and west and the north exposure is all glass for the entire 800 feet.

Since 1929, Iron Fireman automatic coal burners have been heating the Gagner plant with efficiency and economy. Annual fuel cost savings over hand firing have averaged \$1334 or 49%; a total saving, in six years, of \$8000.

"Our Iron Fireman burners have been running practically day and night since their installation," says M. F. Gagner. "We have nothing but good to say about their performance."

If you pay fuel bills, ask for a free survey and report. The facts will show you the way to savings and improvements in your heating plant. Models for boilers up to 300 h. p. and for homes. Quickly installed. Easy payments. Iron Fireman Manufacturing Company, Portland, Oregon; Cleveland; Toronto. Dealers everywhere.



Gagner Stereotype Foundry, Detroit;  
800 ft. x 30 ft.; north side all glass.

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IRON FIREMAN MANUFACTURING CO.  
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Type of plant:

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tial to complete business recovery. It listed these obstacles as follows: instability of world currencies, quotas and bounties, exchange restrictions, discriminatory agreements, inter-governmental debts and increased domestic costs.

In the field of transportation, the Conference for Recovery had these suggestions:

Maximum efficiency demands freedom for development in each field of transportation.

Certificates of public convenience and necessity should be made a prerequisite to the inauguration, extension or abandonment of transportation services.

Rates should not unduly discriminate as between persons, places and commodities.

The hours of labor of employees actually engaged in interstate commerce should be regulated by the Federal Government.

To the extent that federal funds are available for loans, it would seem prudent to make loans to national and local common carriers on terms as reasonable as those made for other purposes.

## Business Wants a New NRA

THE Chamber of Commerce of the United States, through vote of its member organizations, has gone on record as favoring letting the present National Industrial Recovery Act lapse in June, two years after its enactment. But the Chamber voted at the same time to recommend new legislation that would salvage the good but not the bad features of the present law.

The position is taken that industry should formulate its own rules of fair competition, the Government's part being confined to approval or veto. The new legislation would be limited to businesses engaged in or affecting interstate commerce. The Government's agency should be a board or tribunal appointed by the President. Provisions as to minimum prices and provisions for dealing with overcapacity and overproduction would be allowed only when an industry showed the Government's agency that existing conditions were destructive of sound competition, and made clear that the provisions would be consistent with the public interest. The labor clauses would be completely revised. Employees would be protected against coercion from any and every source.

The majority rule of the National Labor Relations Board would be abrogated and minority groups or individual employees would be allowed to bargain through their own representatives or deal independently regarding conditions of employment.

### Approval by large majorities

NEGATIVE votes on the propositions ranged from a fraction of one per cent on the question of coercion of employees to almost 25 per cent on the question whether there should be new legislation.

The propositions voted on are:

1. The National Industrial Recovery Act should be allowed to terminate in accordance with its present provisions.

2. Prior to the expiration of the National Industrial Recovery Act new legislation should be enacted.

3. Any new legislation should be limited to businesses engaged in, or affecting competition in, interstate commerce.

4. Each industry should be permitted to formulate and to put into effect rules of fair competition which receive governmental approval.

5. The governmental agency should have only the power of approval or veto, without power of modification or imposition but with power to indicate conditions of approval.

6. The governmental agency should be a board or tribunal appointed by the President.

7. Rules of fair competition formulated by a clearly preponderant part of an industry as suitable for the whole industry with due consideration for small units and approved by the governmental agency should be enforceable against all concerns in the industry.

8. In any new legislation it should be made unmistakable that collective bargaining is bargaining with representatives of all groups of employees that desire to act through spokesmen, without the right of a minority group to deal collectively, or the direct right of individual bargaining, being precluded.

9. It should be made explicit that the right of employees to choose their own representatives is to be free from coercion from any source.

10. There should be extension of the condition against requiring membership in one type of employees' organization to a condition against requirement of membership, or non-membership in any type of labor organization.

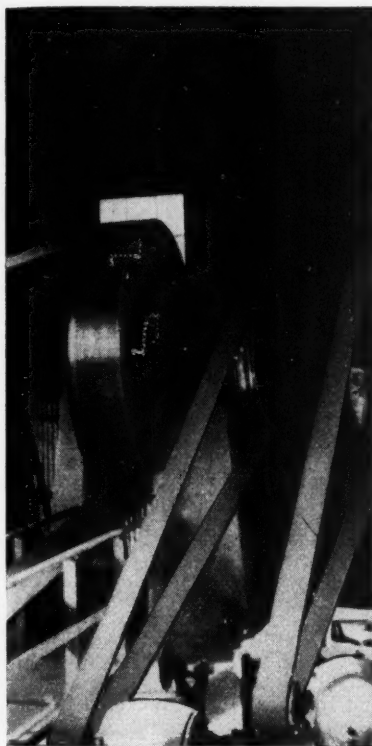
11. Rules of fair competition should always contain provisions for minimum wages, for maximum hours of work, and against child labor.

12. There should, upon reasonable notice, be an express right of termination corresponding to the right of initiation and presentation of rules of fair competition which have been approved, and a similar right in the governmental agency.

13. There should be an opportunity for members of an industry to enter into agreements other than rules which, when approved by the governmental agency, will be enforceable against parties to the agreement.

14. The new legislation should make clear that its provisions, so far as compliance with them is concerned, supersede any other statute which might appear to conflict.





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● Republic's many brands of rubber transmission belts are noted for their strength, flexibility, pulley-gripping surface, low permanent stretch and even tension that bring power costs down to the minimum and provide long belt life.

Through our cooperation with distributors, a complete service on the proper choice and application of transmission belting is offered to assure you of the greatest satisfaction and economy.



**The Republic Rubber Co.**  
Youngstown, Ohio

*Leadership*  
IN POLICY, PRODUCT AND PERFORMANCE

Order Republic Rubber Products  
From Your Distributor

## The Commodity Exchange

(Continued from page 18)

drama on the New York Exchange. Normally, with new crops coming onto the market from everywhere after the turn of the year, and Cuba trying to dispose of its remaining quota before the year ended, sugar should have entered a downward trend discounting in advance the unhealthy pressure likely during January. So reasoned some December shorts. These interests sold futures short to the extent of about 25,000 tons and remained on the short side as that month became "spot." They expected that Wall Street liquidation would enable them to cover their futures commitments profitably, without actually delivering the sugar on the contracts. They knew, as did the trade, that no material amount of sugar was actually available in New York to tender on contracts.

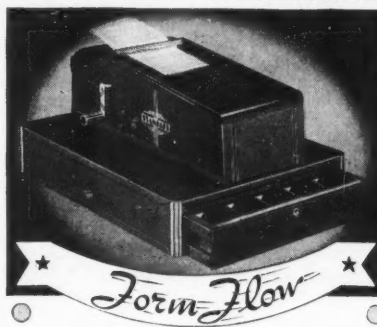
Liquidation, however, failed to develop as they anticipated. Now under the old contract requirements—since amended for new March contracts to include all types of sugars—the only sugar tenderable was Cuban stocks not in bond. This meant that, should longs insist upon delivery—and by remaining in their futures commitments without liquidating they would signify that insistence—the shorts would be forced to settle the contracts at arbitration. Cuba failed to withdraw its peg price and ruled that refiners could not sell their sugar here under their agreement at less than the peg level. That washed out the last hope of the shorts, that possibly refiners would supply them with sugar enough to meet their obligations at lower than the peg levels.

### Settled by arbitration

THE shorts were unable to tender delivery of their actual obligations. They were, therefore, forced to submit their case to an arbitration committee of the New York Coffee & Sugar Exchange and ask for a fair settlement price. Under the trading rules of the exchange, the price set was the closing "spot" price on the last day permitted for tenders (2.08 cents on December 24) plus a 25 point penalty for the shorts' failure to deliver or 2.33 cents a pound. Before the settlement was reached, however, there was a long legal squabble with longs insisting on further penalties and a settling price asked of 2.93 cents, which did not fail to reach Washington ears. It may yet be used as ammunition for further regulation of the commodity markets.

## Standard announces

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Creating a new Value in autographic register design and utility, offering:

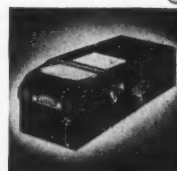
- NEW BEAUTY
- NEW PROTECTION
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- NEW CONVENIENCE

Distinctively modern, surprisingly low priced, expressing the "free flowing" operation and smart styling that characterize the entire new Form Flow line of 260 styles and sizes, the Cash and Charge model provides economical protection, accuracy and convenience in recording cash sales, charge sales, cash receipts and cash paid out. Complete itemization gives complete information. All transactions are recorded with equal safety and simplicity.

For greater profits in 1935 investigate the use of this new register and the entire line of Form Flow Registers for all hand written records. Call in the Standard man.



Standard's Exclusive Pin Wheel Principle—The Forms Can't Slip.



Form Flow Counter Model type offered in every needed style and size.

The Standard Register Co., Dayton, Ohio  
Send information on the new Form Flow models checked below:  
☐ Cash and Charge Register, \_\_\_\_\_ manual or \_\_\_\_\_ electric.  
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Write your name, firm name, address in margin.

## What Went Wrong in the Lumber Code

(Continued from page 32)

for sustained forest production. It was agreed that an initial part of the enterprise of forest renewal was the duty and obligation of the proprietors of the private forests; and part of it, equally vital, the duty and obligation of national and state governments to facilitate orderly forest use and regeneration. I think it may be fairly said that the industry has done all that was expected of it in the continued absence of the promised government cooperation.

The extensive and responsible forest land proprietors have conducted their logging operations as required by the code since June 1. They have left seed trees, preserved the immature trees, protected young growth, improved protection against forest fires, performed a certain amount of planting and have generally left newly logged off lands in a timber productive condition.

On the other hand, although chiliaristic conservationists are in the saddles of a potent government, public agencies as yet have done nothing to extend to tree growing the financial and credit assistance which it has given to other industries lacking even the social significance of forestry. There has been little visible vigorous effort to persuade the state governments to reform the destructive application to forests of the hoary property tax.

Nevertheless, a dozen more large companies have already been certified as having put their forests upon a permanent sustained yield, that is, self-perpetuating, basis. The area covered by these trail-blazers runs into millions of acres. Many others are on the way. In addition, thousands of concerns are handling their forests in the conservative manner required by the code, without yet having attained the objective of sustained yield. That will take time.

Where then do we stand, net, today? We were required to preserve forests, save wood and grow trees for our children and yours. We wanted and were encouraged to try to lift our industry out of the mire of unrestrained price and wage competition. We were promised the protection of prices which would make sylvan immortality financially practicable. The alluring rainbow of "cost-protection" has been withdrawn. The conservation mandate remains. We can grow trees. What we may be paid for them depends on many things.

For the suspension of such "protections" as were being obtained from "emergency minimum prices" we have largely, in my opinion—although the majority of my associates in the industry do not agree with me—ourselves collectively to blame. The minimum price idea in the lumber industry was, from the start, something of a phantasm, because NRA never really had the courage to grapple the wholesalers into it, even though it ad-

mitted that they, too, must be bound or it wouldn't work. Manufacturers more and more, therefore, had to choose between observing the prices dangled by wholesalers who offered *some* business and the minimum prices declared by the Code Authority or by NRA which offered *no* business. The organized lumber wholesalers could have been, wanted to be, asked to be, and thought they were, under the Lumber Code at the outset. But the manufacturers then would not have them in, much to the disappointment of wholesalers then, but not later, when they found many ingenious reasons why they should not be put under code responsibility.

### Production and wage provisions are working

PRODUCTION control so far has stood the gaff of chiseling and the congestion of optimistic generosity. It works fairly well. It now must work better. Wages and hours have been subject to ordeals which have proved that they can be sustained, but only if reasonable, if supported by local sentiment, and policed by public authority. If the stricken lumber price structure means continuing dwindling income, back will go wages and hours, perhaps not to where they were in the desperate days of 1932, but thereabouts, and not all NRA's oxen nor all NRA's horses will put them together again. Starvation knows no food titles, and local sentiment in matters of community livelihood has not yet learned to observe a distant federal authority.

After a year of collective demand for minimum prices with increasing individual defiance of their enforcement and after a painful whirl at effort to in-

crease prices by reducing them, it is possible that a fair foundation of sensible prices may be found in the minimum wages, maximum hours and production allotments if these are uniformly enforced. NRA has given us a key to orderly production and merchandising. It may not be the key we asked for but it is a key which we can use. It is workable.

We will be much better off with a simpler code which can be made to work than with a more complex one which can't. But the opportunity, under Government sanctions and supervision, for self-administered regulation of industry must be genuine and not the nebulous product which, during the experimental period of the past year, the whims of an heroic NRA in endless flux and change have made of the Lumber Code.



BROWN BROS.

**IF, in the beginning, there was a probability that minimum prices could have been maintained by prompt action, the backing, filling and eternal delays of responsible public authority threw away for the industry any advantages of strategic position**



*"It does more work and  
makes less fuss about it  
...it's **CUSHIONED!**"*

*The new Underwood not only offers greater quiet, but increased typing speed and ease of operation. It is more than ever "The Machine of Champions."*

If you are interested in increased typing production, then you will want to inspect this newest of Underwoods. It's a speed writing machine even when compared with those Underwoods that for a full quarter of a century won every World's Typing Championship.

And if you are interested in quiet operation, you will want to inspect the new Underwood too. It is far more quiet, for

at strategic points throughout this new machine, cushioning devices have been employed to absorb noise, vibration and shock.

The new Underwood, in addition to CUSHIONED TYPING, offers a long array of new improvements and features...features designed to promote speed, accuracy, durability, simplicity...features that include the new and exclusive Champion Keyboard.

The world's largest manufacturers of typewriters invite you to inspect the

new Underwood at the nearest Underwood Elliott Fisher branch. Or, if you prefer, just telephone or write for a demonstration on your own work and in your own office. Every Underwood Typewriter is backed by nation-wide, company-owned Underwood Service.

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**UNDERWOOD ELLIOTT FISHER COMPANY**  
Typewriters...Accounting Machines  
Adding Machines  
Carbon Paper, Ribbons and other Supplies  
342 Madison Avenue, New York, N.Y.  
Sales and Service Everywhere



The New  
**UNDERWOOD** Special TYPEWRITER  
*Underwood Elliott Fisher Speeds the World's Business*



**HELP WHEN NEEDED**

His job often is all the employee has and usually he cannot bequeath it to his wife and children.

## GROUP LIFE INSURANCE

can continue the pay roll for the family and makes lasting friendships.



### THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

EDWARD D. DUFFIELD, President  
Home Office: NEWARK, N. J.

## You may be hard to get to—through the front door

Perhaps you are well barricaded by secretaries, information desks, etc., through the day . . . but when night falls your plant, your expensive equipment, the investments of your stock holders may be at the mercy of vandals and thieves.

Stewart Non-Climbable Chain Link Wire Fence STOPS them all . . . it defines a boundary that says "NO TRESPASSING" and means it.

—and where distinction and beauty are of equal importance to protection, Stewart Iron Fences and Gates have become popular for suburban homes and estates.

For information on either business or residential Fence—write

### THE STEWART IRON WORKS COMPANY, Inc.

104 Stewart Block  
CINCINNATI, OHIO



## Let's Have a Sane Sales Tax

(Continued from page 38)

ber of Commerce, are trying to obtain uniform methods of collection by brackets, but have been unable to get full agreement on this. Experience indicates that the amount collected by the honest retailer under the optional markup or bracket system is less than 70 per cent of the tax, so that he must pay a heavy privilege tax over what he, as agent of the state, collects from the consumer.

The optional method, at the discretion of the merchant, is the worst possible plan for collecting the tax. Whatever the method, it should be prescribed by the tax commission so as to be uniform and mandatory on all vendors.

### Affixing stamps is impractical

THE only stamp method heretofore used for collecting taxes has been to affix stamps to each item purchased as proof that the tax has been paid. The stamp shows only the amount of tax collected. This method has been found impractical in operation because of the difficulty of giving change to the purchaser when the tax is only a fraction of a cent. For instance, on the basis of a three cent tax, if a purchaser should buy a 37 cent article, it would be necessary to affix a stamp corresponding to this tax, and then for the seller to calculate the stamp to be used as change, and to be given back to the consumer—an obviously impracticable procedure. There is, however, a simple, equitable, exact and inexpensive method for collecting the tax at the uniform rate required by the law. No calculation whatever is necessary of the whole or fractional cent, hence there are no delays or complications in making sales.

This method, not heretofore used, involves the use of coupons showing the number of cents or dollars for which the merchandise is sold. Each coupon also has printed on its face the amount of tax corresponding to the particular purchase.

The purpose of placing the money value of the purchase on the coupon is to make it easy for both buyer and seller to tell at a glance the right coupons to use. For instance, if the merchandise costs 37 cents the buyer would pay to the seller tax coupons totaling on their face 37 cents.

The purpose of placing on the coupons also the corresponding tax amount is to show both seller and buyer the actual tax paid on the pur-

chase. This has an important, favorable psychological effect on the buyer, who, without this and with only the number of money units of the purchase shown on the coupon, might have a feeling of injustice as to the amount of tax.

The information printed on the coupon will show that the amount of the tax is so small for ordinary purchases that there will be practically no sales resistance against the payment of this tax.

The state would distribute these coupons to the buying public for cash through designated agents, which should include all retailers, just as the United States Government distributes postage stamps through post offices.

For convenience of the buyers, coupons would be sold in booklets of assorted denominations to provide tax on purchases of \$1.00, \$5.00, \$10.00 and so on. For instance, a purchaser, in a state having a three per cent sales tax, entering a store but having no coupons, would buy a \$1.00 book for three cents, \$5.00 book for 15 cents, or a \$10 book for 30 cents, and could then use coupons from these booklets to pay sales taxes at any retail store in the state.

Upon making a purchase, the buyer would detach coupons with a face value equal to the purchase price and hand them to the seller who, in the presence of the buyer, would cancel them.

The merchant would retain these cancelled coupons to be turned in to the state as credits on his taxes determined by his gross receipts.

For instance, on a purchase of goods worth \$4.12, the buyer would hand the seller coupons having face value of \$4.12. Small type on the coupons would also show the actual tax paid—12.36 cents.

### Advantages of using coupons

THIS method is simple, uniform and exact. Since it involves no question of giving change for fractions of a cent, or any other calculation, everyone can easily understand it. Since the buyer detaches the coupons while the seller figures the purchase cost there is no delay or difficulty at time of purchase due to the tax payment.

Summarizing, the principal advantages of the new coupon method are:

1. The necessity of computing the amount of tax on each individual sale is eliminated, since the purchaser would use coupons in the same denomination as the sale price.
2. The plan would require a minimum

amount of educational propaganda to the public to obtain their cooperation.

3. The state would have the use of this tax money in advance of sales.

4. The consumer would know at the time of purchase the exact amount of tax paid.

5. The possibility of the tax being non-collectible from the merchant due to failure to report, inadequate records, or other excuses would be eliminated.

6. The exact tax would be collected on every sale and, if coupons should be lost, the state would not be penalized by such loss. The unreasonably high percentage rates on small purchases would be eliminated.

7. The monthly reports of sales made by merchants would determine the tax to be paid and would be a close check on the sales of tax books, but if these reports are incorrect, the visible evidence of the payment by cancelled coupons assures full payment. The merchant turns in all his cancelled coupons periodically as credits on his sales tax, calculated on his gross retail sales.

8. Checking the enforcement of the law would be extremely simple, as both buyer and seller would be parties to the payment and would be made parties to the offense of evasion under the regulations. Spot checking would be easy. The amount of the tax on any sale would in general be so small as to make it not worth the risk for the buyer and seller to be in collusion to avoid payment of the tax.

9. The handling of the tax by the retailer would be exceedingly simple and quickly performed, as he would only be required to receive coupons and account to the state for those given by him to consumers.

10. This method would obviate the numerous make-shift methods now being used in various states for the collection of this tax.

Based on experience in a number of states where sales taxes have been in force, this method would cure most of the evils heretofore encountered in sales taxing, and would provide an enforcement method that would make the sales tax as nearly painless as any tax can be.

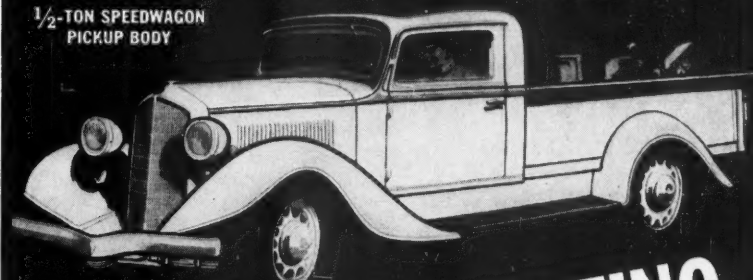
### Centralized collection

TAXES collected in this way could be apportioned to general state operations, to counties and to municipalities in proportion to what they pay. In fact, to simplify collection, it might be a good idea for the Federal Government to collect a uniform sales tax and rebate it to the states in proportion to the amount paid. This would save huge sums by eliminating duplicating tax collection agencies and would assure uniformity of method.

No tax is pleasant and there will always be opposition to any kind of tax proposed, but taxes are necessary for essential government service and we might as well recognize that we must accept those classes of taxation that give us the least pain and suffering in their payment, that give the broadest base and are fair to everybody.

# TRUCK NEWS!

1½-TON SPEEDWAGON  
PICKUP BODY



## REO ABILITY RATING

Ends "Blindfold Truck Buying"



1½-TON SPEEDWAGON  
STAKE BODY

**T**AKE the last element of chance out of truck buying. You can be sure of predetermined performance by intelligent use of the Reo Ability Rating System.

Quickly and efficiently, this system gives the information every truck buyer should know: (1) Gross load capacity of the truck; (2) Percent of grade it will climb in high gear with full load; (3) Safe loaded speed on level roads.

Every Reo salesman is equipped to study your needs and make correct recommendations. He can help prevent the costly error of buying transportation that may not fit your particular job.

Streamlined for style—powered for speed and pull—built and balanced for extraordinary wear—the new Reo ½-ton and 1½-ton Speedwagons represent the outstanding values in this company's 30 years of superior value building.

Before buying any truck ask for details of this exclusive plan. Consult any Reo dealer. Find out for yourself the sound reasons for paying only a few dollars more than the cost of the lowest price trucks for a lot more economy and service.

**WRITE** for Reo's Extra Value Disc. Next to seeing and driving the new Reo trucks, the simplest way of judging their exceptional quality is to compare them point by point with other trucks.

Reo Speedwagons range from ½ to 4-6 tons including Tractor-Trailers and Buses. Prices from \$495 up, f. o. b. Lansing, plus tax. Special equipment extra.



STANDARD BODY TYPES FOR NEARLY EVERY BUSINESS

# REO

**MOTOR CAR COMPANY**  
LANSING, MICHIGAN

Announcing  
THE



**400 MILES  
400 MINUTES**

**FASTEST  
TRAIN** ON THE  
American Continent

BETWEEN

**Chicago-Milwaukee  
AND  
St. Paul-Minneapolis**



Only 7 hours between Chicago and the Twin Cities. 85 miles—80 minutes—between Chicago and Milwaukee. The

"400" shortens the time by hours between eastern and southern points and St. Paul or Minneapolis. For instance: Only about 14 hours from Cincinnati—Detroit, 15 hours—New York, 27 hours—Boston, 32 hours.

**NORTHBOUND**

Lv. Chicago . . . 3:30 pm  
Ar. Milwaukee . . 4:50 pm  
Ar. St. Paul . . . 10:30 pm  
Ar. Minneapolis . 11:00 pm

**SOUTHBOUND**

Lv. Minneapolis . 3:00 pm  
Lv. St. Paul . . . 3:30 pm  
Lv. Milwaukee . . 9:10 pm  
Ar. Chicago . . . 10:30 pm

**AT YOUR SERVICE DAILY**

**SPEED!** Leave Chicago late afternoon—arrive Twin Cities same evening—*Saving a Business Day.*

**EQUIPMENT!** Full-size, standard steel cars. Spacious, comfortable.

**AIR CONDITIONED!** Pure, clean air. Washed. Thermostatically warmed or cooled, according to the season.

**LOCOMOTIVES!** New—powerful. Capable of over 100 miles an hour.

**ROADBED!** Newly ballasted and conditioned. Heavy steel rails, regularly inspected by the marvelous Sperry "Electric Eye". Super elevation curves. Smooth, comfortable riding.

**SAFETY!** For 4 consecutive years "North Western" has won the award for safety among class A railroads.

*The "400" has taken its place among America's foremost trains. We are happy to place it at the disposal of our patrons.*

*Irvin W. Sargent*  
PRESIDENT

**\$1,000 Prize Contest**

Ask for particulars

For information apply to any C. & N. W. representative or address

R. THOMSON, Passenger Traffic Manager  
400 W. Madison St., Chicago

CHICAGO &  
**NORTH WESTERN**  
RAILWAY

## Why Industry Hesitates

(Continued from page 26)

takable in design. The right reserved to the Congress to authorize dams in the regulation of interstate commerce is no broader than the right of Congress under the war power to build plants to manufacture any commodity conceivably necessary for consumption by armies or people in time of war.

While waiting for the war, these war plants could be operated, so called economic waste would be avoided and the benefits of the cheap prices and installment peddling could be extended to the people, should the Administration's notion as applied to power and cheap appliances be sustained by the courts. The principle is the same.

The fact that the Constitution provides for neither has proved no deterrent. The definite and tentative announcements of budgets, mammoth even in these days, for continuing federal proprietary projects in the name of emergency relief and planned economy, calls for a searching analysis of the proprietary functions which form the underlying basis of the vast program.

A violation of constitutional theory which threatens the solvency of the government itself and the right of every citizen to choose any lawful avocation with assurance that the investment will be immune from Government competition is not to be regarded with the ill-omened leniency which tolerated violation of the Eighteenth Amendment.

### Business asks reasonable freedom

NOW, what are the consequences of federal absorption of the functions of business?

Industry cannot survive half socialist and half liberal; half collectivist and half American. That does not mean that any business has the right to be free from regulation or social control. Regulation is the function of government and has been from the beginning. We should be shocked at the unconditional repeal of the Sherman Act. This Act obviously needs rational amendment so that industry may aspire to a reasoned self-determination under public sanction but no American business within my knowledge desires a *laissez faire* program or immunity from legislation reasonably designed and intended to protect the public interest. All the talk about industry demanding rugged individualism is mere nonsense. American business has for years im-

portuned Congress to relieve it under public sanction of some degree of the rugged individualism demanded by the Sherman Act.

Industry welcomes a government of laws, it welcomes rational administrative checks subject to reasonable protection against arbitrary action.

But this does not mean that any industry welcomes or is under any obligation to acquiesce in regulation by federal competition or federal operation.

### Regulation hurt railroads

AT any time, and under any conditions, government competition with those functions which are local in character is unwarranted and unnecessary. And even on a broader scale, I personally believe that, if the Administration had amended the Sherman and Interstate Commerce Acts to permit the railroads to pool traffic and facilities under their own organization, our transportation systems would not have been broken by federal control at a cost to the Treasury of a billion and a half.

So far as industry's use of transportation is concerned, there was never a time when it could afford to pay the cost of transportation so well as during the high profit years of the war. Yet the Government deliberately forced a deficit, to be paid out of the Treasury, and left the railroads subject to the necessity of spasmodic horizontal rate increases in a declining market when federal control ended.

So far as recovery is concerned, the intervention by the Federal Government into the conduct of any business is fatal and indefensible. Those modest segments of American business with which I am associated have, without exception, cooperated with the Administration in its recovery program. Hence when I state that my chief criticism of the recovery program up to this time has been its political criticism of industry, its unwillingness to permit recovery to be industrial rather than governmental or political, my constructive purpose will be understood. It is obvious that any recovery for agriculture or for the workers in industry must be based on industrial recovery. Abuses of the past are waters over the dam and were themselves due primarily not to industry but to the failure of Government itself. Human nature is changeless.

If the Government pursued a mind-



less course, either in its affirmative policies or by non-action, nothing was to be gained by continued tirades against the iniquities of the industrial and commercial mechanism.

So far as recovery is concerned, even if the Administration were disposed to revolutionize our social and industrial systems for some unknown substitute, the time to do it is not in a depression. Such experiments should be undertaken when there has been assured advance toward recovery and when a Government disposed to be radical would have national socialization as its sole problem without the additional burden of nationwide unemployment and distress.

We have a quaint provincial custom in Alabama which contemplates that when in due course some errant citizen is sentenced to be hanged and falls sick before the date appointed, he is first treated and revived before he is asked to march to the scaffold. I think the same principle might be extended to industry if it is to be taken over either by direct usurpation of function by the Government or by sentence to death by competitive strangulation.

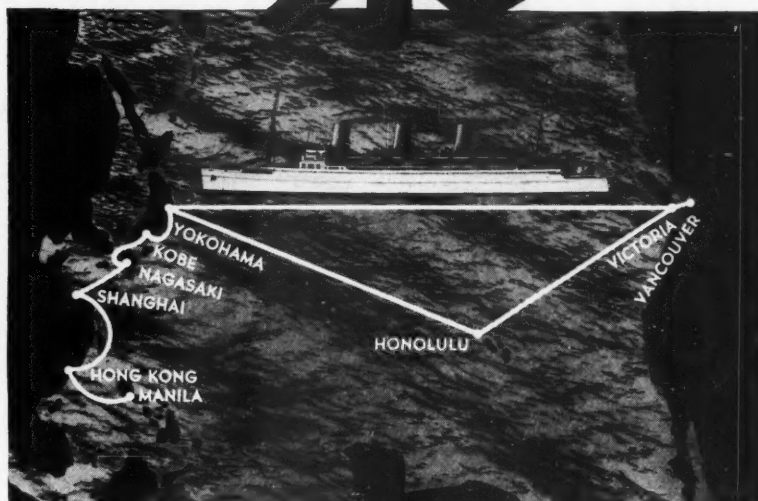
I pass by as self-obvious platitudes the certainty that governmental operation of business is industrially and technically sterile, is deadly to invention, and is basically inconsistent with necessity for risk, adventure in industry and for discovery. Government operation of business defies the law of obsolescence, it is wholly unable to adjust itself to a rapidly changing technique, and runs counter to the law of human progress based on trial and error, on prompt liquidation of failure, on the inexorable necessity of confining risk and failure to individual units and not saddling them upon a state or the nation.

### Congress cannot run industry

**POLITICAL** organisms which are not faced by economic necessity to retreat from error or to check it ignore these laws of growth. Neither Congress itself nor any agency responsive to Congress is fitted to enter into the complex game of industrial or commercial business. Would it be possible for some Mephistopheles having a deadly enmity for the American people to invent a more cruel agency for their destruction than to break open the barrel-head of proprietary business in the Congress of the United States? That the Federal Government is breaking in that barrel-head is not subject to denial and even now the lineal heirs of Credit Mobilier, of Reclamation fiascos and carpet bag subsidies of railroads are moving on Washington

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"To the Orient"—in Chinese



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## GO FAST! GO EMPRESS TO THE ORIENT!

"Go Empress" means the short, fast route to the Orient. It means, too, renowned meals and service . . . the luxury of spacious decks and rooms . . . the cheerful informality of sport and talk and gala parties as you go.

**10 DAYS TO YOKOHAMA . . .** The Pacific's fastest crossing is via Direct Express Route. *Empress of Asia* and *Empress of Russia*.

**OR VIA HAWAII . . .** You can also sail to Honolulu in 5 days, then on to Yokohama in 8 days more. *Empress of Japan* and *Empress of Canada*. Frequent sailings from Vancouver (trains to ship-side) and Victoria to Yokohama, Kobe, Nagasaki, Shanghai, Hong Kong, and Manila. Orient fares include passage to and from Seattle. Reduced round-trip fares . . . First and Tourist Class. And low-cost Third Class on all "Emperesses."

**PLAN YOUR OWN WORLD TOUR . . .** A wide variety of routes. Spend what you wish. Take 90 days or up to two full years. New low rates. First Class and Tourist Class. Ask for programmes of inclusive-cost tours.

Information from YOUR OWN AGENT or Canadian Pacific: New York, Chicago, San Francisco, Montreal, and 33 other cities in U. S. and Canada.

Canadian Pacific

SPANS THE WORLD

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 • POPULAR FALLACIES OF ADVERTISING •
 

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## "We'll Advertise When Things Get Better"

IN business, doing *nothing* about a problem never is the solution. The reason: Somewhere, somebody *else* probably is doing *something*.

Today, all over the country, management is shaking itself from its lethargy. Business men see certain lines slowly gaining in sales. They see other lines stopping their downward trends. They sense a willingness to spend, rather than clutch money, on the part of consumers.

As a result, advertising appropriations are being stepped up. In 11 months of 1934, 23% more was spent in national magazines than in the corresponding months of 1933. Similar increased expenditures are being made in radio, newspaper advertising, and outdoor displays. This is the strongest indication that *somebody* is doing *something* about getting business. A waiting policy has become dangerous now.



ADVERTISING men resent unfair attacks upon the integrity of their profession. They appreciate a defense like this spread before 260,000 fellow business men, their clients. ¶Every business suffers likewise from fallacious thinking—

coal, ice, banks, railroads, wholesalers. They likewise esteem a stout defender. ¶For 20 years NATION'S BUSINESS has fought popular fallacies of every business. That is one reason why it holds the loyalty of its readers.

It is fallacious reasoning to say, "We'll advertise when things get better." It is wiser to say, "We'll study trends and increase our advertising to help make things get better." It isn't the "times" . . . it's the buying mood of prospects that counts . . . and it's advertising that stimulates the buying mood.



# NATION'S BUSINESS

260,000 CIRCULATION

PUBLISHED MONTHLY AT WASHINGTON BY THE UNITED STATES CHAMBER OF COMMERCE

with their budget bludgeons polished for the kill.

By this I do not mean that the Government should give up any of its accepted functions. I have no quarrel with those routine functions which are truly governmental in character, such as highways, the post office, or similar activities. These involve no crash into industries which are serving the American people.

Contrast the modest and scientific method of the Bureau of Standards, of Mines, the research staffs in Agriculture, with the Government's most recent entry into the field of competitive business—the vast volumes of propaganda, the arrogance of those in charge, their insatiate thirst for publicity that recently demanded that the Government seize the channels of the air for what they were pleased to call educational work. Now I am perfectly willing for an off-color merchant to overadvertise shoddy goods, but something instinctive in me recoils from the same procedure by the Federal Government.

### Government to regulate only

I HAVE no reactionary attitude in this matter. I am a liberal in that I am opposed to those groups which insist that the function of government is to help that class which is able to seize political power, whether it be tariff barons at one end of the social spectrum or the revolutionists at the other. I am opposed to the philosophy of that other group which considers that it is the function of Government to leave economic individualism unadjusted to social requirements. I believe that the true function of government is to adjust and regulate in its proper field, to provide sanctions subject to reasonable and constitutional limitations, to deal with monopolies and confederations.

I am sure that the industries composing the membership of the United States Chamber of Commerce has no disposition to make a bargain with the Administration in consideration of its fine assurances of cooperation. The Administration now has and has always had that cooperation. But these business men undoubtedly have the reasonable right to request assurances that the program of this Administration contemplates a systematic retreat from the present all time high water mark of proprietary functions.

Recovery and a robust industry for worker and owner do not lie in that direction. Nor do they lie in the direction of appropriation of hundreds of millions of dollars to extend the destructive competition of a current federal agency with one of the few basic businesses of the United States

which has remained solvent throughout the depression and which, with rare exceptions, has continued to pay reasonable returns on investment. It would seem that any sound conception of budget balancing would restrict these enormous expenditures not applied for relief purposes either to aid industry to its own feet or to provide services not already provided. But that is not the case. And grave danger lies ahead. Unless the Administration can more clearly assert its acceptance of the principle that the function of Government is government, and not competitive business, it is certain that departures from this principle will continue.

What is the remedy?

The remedy is, first, appeal to the Administration; second, appeal to the courts and, finally, to the people. All three are rights secured under the constitution. But rights become wrongs when their orderly assertion is denounced by the agencies which are charged with their violation.

The most tragic consequence of government competition is that there can be no cordial cooperation from the people and no instinctive respect for a competitor which uses its victims' taxes and its dominant advantages in furtherance of competitive business.



## Ask TIME— HE Knows

What is the best pipe for soil, waste, vents and downspouts? Time—that Tough Old Tester—says it's Reading Genuine Puddled Wrought Iron. Specify by service records and you'll never specify wrong.

For information  
regarding pipe  
problems, write

**READING IRON COMPANY**  
PHILADELPHIA

SCIENCE AND INVENTION HAVE NEVER FOUND A SATISFACTORY SUBSTITUTE  
FOR GENUINE PUDDLED WROUGHT IRON

### THE HAND OF THE TAX-GATHERER

*exacts from companies in the Associated  
System an annual toll of \$10,966,000.*

# 44 Taxes

A TOTAL of 44 different kinds of taxes are levied upon companies in the Associated System. There are in addition, many fees, duties, and levies paid to regulatory bodies, as well as indirect taxes included in the prices paid for manufactured articles. Here are a dozen of the 44 taxes:

real property	stamp taxes
gross revenue	generation
income	personal property
3% energy	gasoline
capital stock	loans
franchise	license taxes

Taxes on Associated companies amounted to \$10,966,000 during the 12 months ended September 30, 1934. This amount represents an increase of 26% during the preceding 12 months, and an increase of 68% since December 31, 1930.

If this \$10,966,000 could have been passed along to customers instead of to

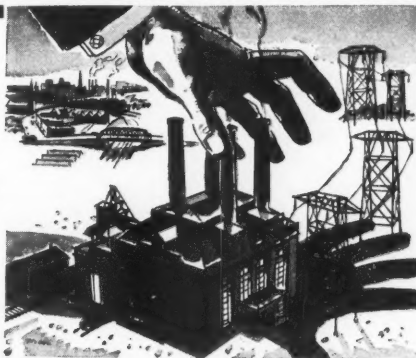
governing bodies, it would have been sufficient to supply free electric service for one year to more than 325,000 residential customers.

Or it would pay the annual interest on more than \$219,000,000 of securities at the rate of 5%.

The possible effects of increased taxation on utility investments was one of the reasons for the Plan of Rearrangement of Debt Capitalization of Associated Gas and Electric Company. The purpose of the Plan is to provide a means of insurance against adverse developments and to protect the interests of the more than 300,000 Associated security holders.



**ASSOCIATED GAS &  
ELECTRIC SYSTEM**  
ITHACA, NEW YORK





# A Sound Product *plus* a Finance Service which enjoys the public's confidence

... if you have a combination  
of these two, you have a  
sales weapon of proven  
power and efficiency.

As the country's largest independent financing organization, C. I. T. has a long record of service to manufacturers and merchants in more than 80 lines of business, including practically all the machinery and equipment trades.

Offer liberal C. I. T. terms and let your customer buy without having to draw heavily on his cash. Engage C. I. T. Financing Service and keep your own funds liquid. Moreover all credit details and collections may be entrusted to C. I. T. with confidence that they are in safe hands.

Have our representative call and, without obligation, discuss freely your financing needs.



*Affiliated Operating Companies with Head Offices in New York, Chicago, San Francisco, Toronto, Canada. Also Completely Functioning Local Finance Offices in the Principal Cities.*

## COMMERCIAL INVESTMENT TRUST INCORPORATED

Executive Offices: One Park Ave., New York

Unit of COMMERCIAL INVESTMENT TRUST CORPORATION—CAPITAL AND SURPLUS OVER \$75,000,000

# What Bankers and Investors Discuss

**P**EOPLE who regard the New Deal as a Santa Claus on a cash basis should peruse with care President Roosevelt's \$8,500,000,000 budget for the 1935-36 fiscal year. It hints at what will be slipped into the country's sock during that year.

Four items make up the President's proposals for federal expenditures during the fiscal period which will open July 1, 1935, and close June 30, 1936. These four items are:

Relief and recovery, with the accent on relief, \$4,582,000,000.

Public debt interest and retirement, \$1,511,000,000.

National defense and veterans' compensation, \$1,497,000,000.

Departmental expenses, \$825,000,000.

Together, these four species of governmental costs—depression, debt, defense, and departments—account for \$8,415,000,000 of the \$8,520,000,000 which President Roosevelt proposes to spend in 1935-36. The other \$105,000,000 is scattered under miscellaneous headings.

These four items also spell out a fifth: deficit. Against the expenditures of \$8,520,000,000 the President has budgeted revenues of \$3,992,000,000, leaving an excess of expenditures, or a deficit, of \$4,528,000,000.

## Hunger and a promise

**ALTHOUGH** it comes as no surprise to anyone who had been reading the newspapers, this deficit, which ranks among the largest in America's peacetime history, is the most significant part of the President's budget. It connotes a basic shift in the New Deal's fiscal policy.

A year ago Mr. Roosevelt intended that June 30, 1935, should see the end of recurring federal deficits and that the 1935-36 fiscal year should bring, instead of the \$4,528,000,000 deficit he now predicts, the first balanced budget since 1930. In January, 1934, the President had told Congress:

The Government should plan during the remainder of this calendar year to bring its 1936 expenditures, including recovery and relief, within the revenues expected in the fiscal year 1936—We should plan to have a definitely balanced budget for the third year of recovery.

Newspaper men who in January, 1935, attended the President's special press conference on the budget reminded him of his promise made a year before. He retorted in effect:

"Suppose you were President of

the United States, and when the time to make a new budget arrived, five million people were starving—starving, mind you. Would you let them starve because of a promise you had made on January 1, 1934?"

This is the White House answer to those who remember the pledge of a year ago. Plans have gone awry. Relief must continue unabated. To pay for relief out of current revenues would require a doubling of the already crushing tax load. Therefore, the deficits must continue.

## The new budget policy

**WITH** the budget policy of a year ago junked, what is going to replace it? When will the Government start living within its income? President Roosevelt is setting no more definite dates, but he has enunciated a new and plainly worded policy to replace the one he found untenable. This year the President said in his budget message:

We have not reached a point at which a complete balance of the budget can be obtained. I am, however, submitting to the Congress a budget for the fiscal year 1936 which balances except for expenditures to give work to the unemployed. If this budget receives the approval of the Congress, the country will henceforth have the assurance that, with the single exception of this item, every current expenditure of whatever nature will be fully covered by our estimates of current receipts. Such deficit as occurs will be due solely to this cause, and it may be expected to decline as rapidly as private industry is able to reemploy those who now are without work.

The budget, in other words, will automatically balance itself when the need for feeding and clothing the unemployed disappears or can be handed back to the states.

## Debts by any other name—

**SNAPPED** Rep. Carl Mapes (Rep., Mich.) in reply, "This business of an ordinary and an extraordinary budget doesn't mean anything. All debts have to be paid, don't they?"

## Relief is cheaper

**TO GO** back now to the first four items we cited as making up the budget, only the first, relief and recovery, curiously enough, shows any reduction compared with similar costs for the current fiscal year. Public debt servicing will increase from \$1,308,000,000 this year to \$1,511,-

000,000 in 1935-36. National defense and veterans' costs—with the cost about evenly divided between them—will advance from \$1,158,000,000 to \$1,497,000,000. Departmental expenditures (incidentally, the budget promotes TVA from the ranks of a temporary agency to the status of a continuing department) will jump from \$603,000,000 to \$825,000,000.

## RFC loans restricted

**RELIEF** and recovery costs, admittedly the most necessary of them all, are singled out for reduction. Only \$4,582,000,000 is allocated for these purposes in 1935-36 compared with \$5,260,000,000 in 1934-35.

Part of this apparent reduction results from the fact that the President has eliminated entirely from his 1935-36 budget the New Deal's sprawling credit agencies such as the RFC and Farm Credit Administration. He intends that their 1935-36 loans shall be restricted, and a considerable restriction it is, to the amount they can collect on their old loans. They will thus become wash items, and on this ground the President has ignored them, lowering his amounts for relief and recovery.

Doubts still remain, however, about the adequacy of \$4,000,000,000 for a work relief program embracing 3,500,000 persons. This, like Topsy, may just grow, tilting the budget still further out of balance.

Consider, for instance, that out of the \$4,000,000,000 must come \$400,000,000 for the CCC. Of the \$3,600,000,000 remaining, a big slice must go for materials; 20 per cent if you take the CWA as a model; 60 per cent if you take the PWA. There is left for wages between \$2,880,000,000 and \$1,440,000,000 or anywhere from \$422 to \$822 a year for each of the 3,500,000 unemployed and his dependent family.

## The outlook for business

**TO AN** able and observant banker the other day I put the commonplace question:

"What do you consider is the outlook for business?"

I got the by no means commonplace answer:

"I think business will be worse before it is better. The immediate future looks promising to me. I think we shall look back upon 1935 as a

## 3 OUTSTANDING STOCKS for 1935

The best annual trio previously recommended as "outstanding" profit-makers (they produced 364% PROFITS IN ONE YEAR) were these stocks:—

**KELVINATOR** Bought @ 3¼  
**COMM. SOLVENTS** " @ 9  
**ELEC. POWER & LT.** " @ 3½

Subscribers who bought and sold, according to our very simple directions; pocketed a profit of 364% on these three issues. Prices had tripled within six months of purchase. Now we offer—

## 3 OUTSTANDING STOCKS FOR 1935 PROFITS

Their names are contained in our 110 page book No. BN 5. This book, based on our four-fold method of market analysis and forecasting, is filled with helpful information for all investors. A copy of No. BN 5 will be sent you on request. Simply send 6c in postage.

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Equip your salesmen with photographs of product, processes or uses. Reduce weight of sample cases—present your story more convincingly and effectively. Photographs are essential selling equipment.

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Photographs stand hard usage when cloth backed with Holliston Photo-Cloth—colors to match the prints. Consult your local commercial photographer. Write for story of the use of photographs in selling.

**THE HOLLISTON MILLS, INC.**  
NORWOOD, MASS.



## AUTOMOBILE COMPASS

Have you ever taken the wrong road and traveled many miles before discovering your mistake? This new AIR-PLANE TYPE COMPASS constantly tells you direction of travel. Sticks to windshield. Base 17-3/8" diameter. ONLY \$1.95 POSTPAID, including Compensator. SATISFACTION GUARANTEED or your money refunded if returned within ten days.

DEALERS WANTED!

HULL MFG. CO., Box 246-N2, WARREN, O.



On the "Avenue"  
where the big parades pass, and near government buildings, shops, and theatres. Write for rates.

**The WILLARD HOTEL**  
"The Residence of Presidents"  
Washington, D. C.  
H. P. SOMERVILLE, Managing Director

year of improvement in business and probably the beginning of other years of gain.

"But I am worried over the more distant future. I am afraid that, as business starts up, it will develop a momentum that we cannot or will not check. I fear a boom of heroic proportions with a collapse that will be the gravest in our history.

"My fears are based on the enormous latent possibilities of credit inflation that lie in the present banking situation. The excess reserves of the banks with the Federal Reserve system are nearly two billions. (This was in December.) They can be multiplied by ten into some 20 billions of credit. There are also the great holdings of government securities which may be the basis of many more billions. If I should put the possible credit inflation at 50 billions, I should, I think, be making a modest statement.

"It is not, however, the possible figures that are disturbing. It is the question whether there is any wise means of controlling this possible inflation. The Federal Reserve Board has been gradually shorn of authority until it is now little more than an office for the exchange of money. Control over credit rests with the Treasury Department and with the best of intentions and with the wisest of minds, the Treasury Department, executive branch of the Government, cannot escape political influence.

"If once business starts a determined upward movement, what can check it from going beyond bounds? There may well be such an explosion of credit as will bring about a boom beyond that of the late '20's with a resulting crash that will create a depression which will make that of the early 30's seem trivial.

"Perhaps I'm too pessimistic. I hope I am. But, I do see grave possibilities. I do believe that we need in this country a stronger central control of credit though I see no immediate prospect of getting it."

## Do we want a boom?

REPEAT this somewhat doleful prophecy to business men and their reaction in most cases will be:

"Give us a little revival, even a boom, and we'll take a chance on not overdoing again. We haven't forgotten either '28 or '32."

## Stocks in 1934

AS 1934 passed out and 1935 came in, newspapers published their annual reviews of finance and industry. Unpropitious, except as an individual might read prophecy into them, were

the bleak column after column of gains and losses in stocks in 1934.

A glance at some gains led to the compilation of stocks listed on the New York Exchange which had gained 30 or more points last year. Here they are:

Albany & Susq.....	32
Am Sm & Ref 6% pf.....	38½
Assoc Dry Goods 1st pf.....	39½
Beatrice Cream pf.....	42¾
C, C & St. L. pf (5).....	32¾
Coca Cola.....	65½
Colgate Palm Peet pf (6).....	34¾
Con Cigar pf.....	44¾
Crn W P 1st pf.....	41¾
Eastman Kodak.....	31
Fairbanks Morse pf.....	44
Gen Cigar.....	33½
Hahn Dept. Stores pf.....	34½
Hamilton Watch pf.....	40
Hat Corp of A pf ww.....	65¼
Homestake Min.....	53
Int Printing Ink pf.....	30½
Interstate Dept. St. pf.....	60½
Kendall Co. pf.....	30
Kresge Dept. Stores pf.....	31
Loew's Inc. pf.....	32½
Maytag Co. pf 1st.....	38¾
McCrary Stores pf.....	57½
McLellan Stores pf.....	79½
National Lead.....	30¾
Newberry (JJ) pf.....	30½
Peoples Drug Strs. pf.....	44
Philip Morris & Co.....	35½
Pittsburgh, Youngstown & A pf.....	31
Radio Corp. pf A.....	31½
Remington-Rand 1st pf.....	38½
Remington-Rand 2nd pf.....	41½
Revere Cop & Br pf.....	37½
Spang, Chalfant pf.....	34
Spiegel-May-Stern.....	55¾
U S Gypsum pf.....	33¾
Walgreen Co. pf.....	31½
Wilson & Co. pf.....	41¼
Wright Aeronautical.....	38½

Draw your own inference. It is plain that preferred stocks, particularly in consumer goods, bulk large in the list.

But near the top of them all is Coca Cola. And didn't someone say that Coca Cola would be hurt by repeal?

## Enigmas for bankers

REPORTS to bank stockholders at their annual meeting in January threw light on the present problems of the industry.

Lack of what bank officers consider sound loans, decreasing interest rates darken the future.

Chairman W. W. Aldrich of the Chase National of New York gave some figures when he said that new loans made by the bank in 1934, not counting renewals, totalled \$758,000,000, but that at the year's end the total loans and discounts on the books of the bank had been \$650,000,000, a reduction of more than \$144,000,000 in the year.

President Jackson E. Reynolds of the First National said he thought the bank would earn its dividend this year, but reminded his hearers:

Every time a loan is paid off it can-



not be replaced at the same rate and every time a bond matures it cannot be replaced with another bond with as high a coupon, owing to fundamental conditions beyond our control.

Chairman James H. Perkins spoke of the continued lack of demand for money from borrowers to whom the lending of depositors' money is justified. He denied that the banks are not eager to lend money, but he explained:

This bank is owned by 87,000 shareholders. The depositors are approximately 700,000 in number and about 525,000 of them have deposits averaging less than \$500. It is the function and duty of the officers to lend the funds of these 700,000 depositors in such a way as to safeguard their money and to earn a return on the investment of the 87,000 shareholders. None of the money belongs to the officers (the bankers as they are commonly called); it is the depositors' and shareholders' money.

The late Sherlock Holmes might have said to Mr. Perkins as he did to Doctor Watson, "Elementary," but the public doesn't always keep the elementary in mind.

#### Formula for recovery

THERE is no stronger factor in the drive for business improvement than the natural adaptability, the ingenuity of the American manufacturer and tradesman, his willingness to meet new conditions with new products.

Two or three years ago I asked the head of one of the great manufacturers of electrical supplies if it were true that small business did better in depression than his big one.

"No," he said, "it isn't true. Dozens and hundreds of small industries in our line have been wrecked in these times. What is true is that small plants managed by an individual have done better than our big one. They can turn quicker than we can. If one product doesn't sell well and profitably, they can start on a new one, almost overnight. We can't."

Here's an instance a commercial banker tells:

"One of our customers, a textile manufacturer, made a high grade product that retailed at \$18. He was a sort of Tiffany in his line. For years he made money. Then with the decline of business there was a steadily lessening market for his product. Luxury goods couldn't be sold.

"He set to work to cut his costs, reduce his expense and make something that would sell. He now has a product to retail at \$8 which he admits is about as good for practical purposes as his \$18 product. And he's doing well."

That's what makes for business recovery.

## Guaranty Trust Company of New York

FIFTH AVE. OFFICE  
Fifth Ave. at 44th St.

MAIN OFFICE  
140 Broadway

MADISON AVE. OFFICE  
Madison Ave. at 60th St.

LONDON

PARIS

BRUSSELS

LIVERPOOL

HAVRE

ANTWERP

### Condensed Statement, December 31, 1934

#### RESOURCES

Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers . . .	\$ 333,576,268.85
Bullion Abroad and in Transit . . . . .	16,142,332.00
U. S. Government Securities . . . . .	464,507,036.13
Notes of Reconstruction Finance Corporation . . . . .	20,000,000.00
Public Securities . . . . .	62,546,154.24
Stock of the Federal Reserve Bank . . . .	7,800,000.00
Other Securities . . . . .	25,706,932.66
Loans and Bills Purchased . . . . .	579,712,917.75
Items in Transit with Foreign Branches . .	1,254,803.55
Credits Granted on Acceptances . . . . .	34,458,356.16
Bank Buildings . . . . .	13,821,691.39
Other Real Estate . . . . .	205,418.44
Real Estate Bonds and Mortgages . . . .	2,579,302.88
Accrued Interest and Accounts Receivable	14,779,523.79
	<b>\$1,577,090,737.84</b>

#### LIABILITIES

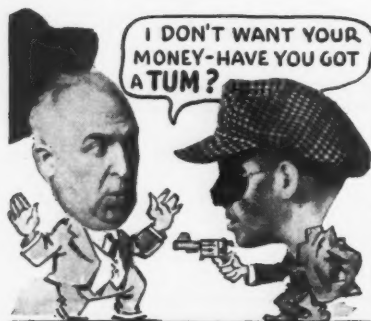
Capital . . . . .	\$90,000,000.00
Surplus Fund . . . . .	170,000,000.00
Undivided Profits . . . . .	7,294,719.63
	<b>\$ 267,294,719.63</b>
Dividend Payable January 2, 1935 . . . .	4,500,000.00
Accrued Interest, Miscellaneous Accounts Payable, Reserve for Taxes, etc. . . . .	10,267,570.90
Acceptances . . . . .	\$94,908,218.55
Less: Own Acceptances Held for Investment . . . . .	60,449,862.39
	<b>34,458,356.16</b>
Liability as Endorser on Acceptances and Foreign Bills . . . . .	505,646.00
Deposits . . . . .	\$1,237,089,328.60
Outstanding Checks . . . . .	22,975,116.55
	<b>1,260,064,445.15</b>
	<b>\$1,577,090,737.84</b>

WILLIAM C. POTTER, Chairman  
EUGENE W. STETSON, Vice-President

W. PALEN CONWAY, President

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## MILLIONS DEMAND TUMS FOR GAS... HEARTBURN

IT'S liable to happen any time—that dreaded attack of acid indigestion. That's why most sufferers keep TUMS handy for an emergency. No need to be held up by fear of heartburn, sour stomach, or that nauseating gassy fullness, when your favorite foods appear on the dinner table. Millions now know that TUMS do not contain soda or any water-soluble alkali—to over-alkalize the stomach or harm the kidneys. When TUMS correct the acid condition any excess passes off inert and unabsorbed. 10c a roll at any drug store. The 3-roll package containing handy metal pocket carrier, only 25c.

**Free** 1935 Calendar - Thermometer, beautifully designed in colors and gold. Also samples TUMS and NR. Send stamp for postage and packing to A. H. LEWIS CO., Dept. 16-BJJ, St. Louis, Mo.

**TUMS** FOR THE TUMMY

TUMS ARE ANTACID... NOT ALAXATIVE

For a laxative, use the safe, dependable Vegetable Laxative NR (Nature's Remedy). Only 25 cents.

## SPARE TIME TRAINING that helps you SPEED UP PROSPERITY!

Do you want to speed up prosperity—insure your early and large participation in the new jobs, promotions and salary increases—get fullest benefits from business pick-up? You can do it. For months, individual competition will be tremendous. Employers—up against new problems, fighting for survival and profits—will be able to pick and choose. Naturally they will prefer trained men—men who have special ability to offer. If you wish this advantage, simply check the field of business in which you are interested. We will send full information about the opportunities in that field, tell how our complete success-building program helps you plan your future, trains you in your spare time, and works with you all through your career. Send the coupon NOW.

### LaSalle Extension University CHICAGO

Please tell me—without cost or obligation—about your plan to help me insure and speed up my prosperity, in the business field I have checked.

- |  |   |
|--|---|
| <input type="checkbox"/> Business Management   | <input type="checkbox"/> Modern Business Correspondence |
| <input type="checkbox"/> Higher Accountancy    | <input type="checkbox"/> Expert Bookkeeping             |
| <input type="checkbox"/> Traffic Management    | <input type="checkbox"/> Modern Salesmanship            |
| <input type="checkbox"/> Law: Degree of LL.B.  | <input type="checkbox"/> Business English               |
| <input type="checkbox"/> Commercial Law        | <input type="checkbox"/> Modern Foremanship             |
| <input type="checkbox"/> Industrial Management | <input type="checkbox"/> Effective Speaking             |
| <input type="checkbox"/> Personnel Management  | <input type="checkbox"/> C. P. A. Coaching              |

Name .....

Address .....

Town ..... State .....

★ THIS is one of a series of editorials written by leading advertising men on the general subject of advertising

## More Truth about Advertising

MANY advertisers believe almost blindly in the ability of advertising to promote the sale of merchandise.

Yet, specifically, only those whose business is built on mail-order advertising or retail store advertising can say accurately what their advertising accomplishes—what a sale costs. Those who cannot employ mail-order advertising can usually gauge the effectiveness and the cost of their advertising only in the broadest terms.

The sellers of advertising are apt to overtell the truth—while the buyers variously have either too much or too little faith.

Why can't an advertiser know more? No sane manufacturer buys ten new machines—at \$10,000 apiece, let us say—until he knows the potential profits from one machine. Why shouldn't this same manufacturer ask for evidence of what can be done with \$10,000 worth of advertising, before he approves a \$100,000 expenditure?

The fact is that there has been very little science in advertising methods. The tragedy is that only a few firms have made the attempt to inaugurate scientific methods.

\* \* \*

The future is not wholly dark, however. Perhaps the depression instilled new desires for accuracy in advertising—as it did in so many other phases of living.

Recently a Boston manufacturer said: "Every advertisement I have ever run—for the past seven years—has been a test advertisement. And every advertisement I ever run in the future will be a test advertisement."

Here and there you hear advertisers and agency men talking tests—copy tests, coupon analyses, recognition tests, recall tests, sales-area testing. The desire to know is growing. Slowly, but surely, faith will be replaced by knowledge. The more intense the desire, the sooner it will happen.

How's your intensity?

GEORGE LAFLIN MILLER, V. P.,  
Mark O'Dea & Company,  
New York City.

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That's so their teacher can tell the twins apart. At home, of course, there is no such difficulty—in the family's eyes they differ in a hundred ways.

To the unaccustomed eye many air conditioning problems must look alike—for air conditioning is a comparatively new industry. Yet two rooms on the same floor of one building—identical in size and layout, in number of windows and doors—will present quite different air conditioning problems. The skilled engineer will note at once that one has double the sun-wall exposure of the other. A successful air conditioning installation is not possible without consideration of *every* such factor.

For more than 20 years, Kelvinator has been controlling temperatures and in the past five years all of Kelvinator's laboratory and research facilities have been turned upon coordinated control of tempera-

ture, humidity, purity and circulation of air. Naturally with such a background of experience Kelvinator has developed the most complete line of equipment in the industry. It is this extensive line of equipment that makes possible **EXACT SELECTION.**

Only when preceded by correct diagnosis can air conditioning produce satisfactory results. Kelvinator engineers—skilled in construction, heating, ventilating and cooling technique—are at your service. Get in touch with your nearest representative or write direct to . . .

**KELVINATOR CORPORATION,**  
14250 Plymouth Road, Detroit,  
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Ontario, and London, England.

(997)

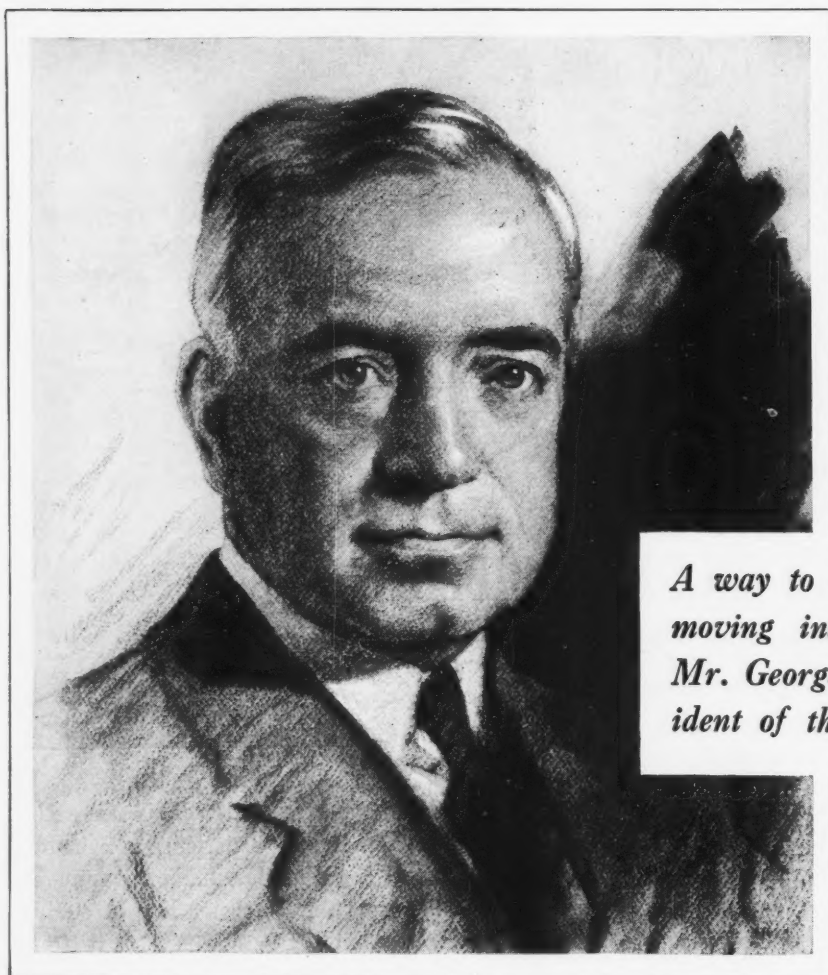
# KELVINATOR *Air Conditioning*





"IN THE RACE FOR PUBLIC FAVOR YOUR METAL GIVES

# OUR *Hats* THEIR *Head Start!*"



*A way to set the pace in a fast-moving industry is suggested by Mr. George V. MacKinnon, President of the John B. Stetson Co.*

"THERE are hundreds of operations in the making of fine fur felt hats. Many can be performed only by skilled human hands; others by ingenious machines.

"Every selling season men develop strong and unexpected preferences for new shapes and new colors. Production must be flexible to meet these demands and our machines must be in perfect working condition at all times.

"Here are machines that hold sizing solutions; machines filled with expensive dye liquors; machines which operate in the midst of moisture, steam and heat. And since they are made of Monel Metal they keep on operating without failure or breakdown.

"Monel Metal is able to stand up in that service because it is tough and strong, outwears steel, can't rust and gives us no trouble from corrosion. It helps us to get a head start on every new style, and to keep the Stetson a pace-setter in the industry."

It's not talking through our hats to suggest that large companies in many industries have won leadership aided by Monel Metal equipment:—

Makers of popular textiles, canners and packers of the nation's favorite

meats and foods, builders of the best known boats, producers of the finest chemicals... all acknowledge their debt to Monel Metal.

What is *your* industry? *Your* business? Inco engineers are constantly studying its needs. Uncovering new facts. Developing new uses that pay their way. Perhaps you can use Monel Metal in production. Perhaps incorporate it in some product you make. These men will tell you, frankly and honestly, whether either use will pay you a profit. Get the facts. Write,

THE INTERNATIONAL NICKEL COMPANY, INC., 67 Wall Street, New York, N. Y.



Monel Metal is a registered trademark applied to an alloy containing approximately two-thirds Nickel and one-third copper. Monel Metal is mined, smelted, refined, rolled and marketed solely by International Nickel.



## Monel Metal

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